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, 2005. The unaudited consolidated results have been reviewed by the Company's Audit Committee.

DIVIDEND

The Board proposed an interim dividend of 1.0 HK cent per share (2004: 0.5 HK cent per share) and a special dividend of 2.5 HK cent per share (2004: Nil) for the six months ended 31st March, 2005.

[BUSINESS **REVIEW**]

The six months under review have been a period of ongoing diversification on the part of the Group, with the establishment of the Oasis Beauty School and the continued expansion of its China retail outlets being two of the highlights. Besides these, the Group has focused on maintaining solid momentum in both its retail and its spa and beauty segments: in this it has been successful, with both segments performing well and achieving good profitability. The Group looks set to report significant overall profits for the year, partly arising from the appreciation of its property investment portfolio.

~H_2O+ RETAIL BUSINESS

China

The Group's China operations have continued to achieve considerable success, as shown by the increasing weighting of sales from the China market as a percentage of the Group's overall sales. Sales contributions from the China operations are some 20% higher than those in the same period last year. This is partly because of the Group's continuing roll-out of retail stores in China, both on a self-managed and franchised basis, as it continues to move towards its ambitious target figures.

Currently the Group has 54 self-managed stores in China, up from 51 last year and well on the way to a target number of 60 by the end of the year. As for franchised outlets, the Group currently has 36, up from 24, and these will continue to roll out at a good pace. The Group aims to have 70 franchised outlets in operation by the end of the year. Overall, the Group has 90 outlets already in place in China cities, with a planned target of 130 by year-end. This wide roll-out is building on the rapid success of Water Oasis products in the China market, which has quickly translated into a positive bottom line for the Group's overall China operations.

Hong Kong

Within the sphere of its traditional retail operations in Hong Kong, the Group has been constantly alert to opportunities for revenue enhancement on the one hand, and cost-saving opportunities on the other. In terms of cost-saving, the Group has focused on the costs associated with the renting of its Hong Kong outlets. Having enjoyed excellent rental rates for the past two years (negotiated in the aftermath of the SARS period), the Group recognizes that costs will rise when many of its leases will be renegotiated in late 2005. In response to a familiar Hong Kong property market cycle, in 2004 the Group hedged its rental exposure by acquiring retail properties in Causeway Bay while prices were relatively low. The properties are currently being rented out. The Group is considering selling these investment properties later in the year and realizing gains which could amount to up to HK$30 million in total. Increased rental costs should therefore be offset by returns anticipated from the Group's strategic property investment.

In addition, the Group has made adjustments to its Hong Kong retail network to maximize return. In the period under review, underperforming outlets were closed or relocated to other strategic locations to better reflect customer traffic and achieve lower rental costs. This sort of fine-tuning of retail outlet coverage and ongoing assessment of rental exposure will remain a characteristic of the Group as it monitors its retail effectiveness in the stable and mature Hong Kong market.

Taiwan, Singapore

The Group maintained a stable exposure in the Taiwan market, remaining cautious about expansion and operating from the position that its current market coverage is optimal. This assessment was borne out by record high profits achieved in the first half of the year. In Singapore meanwhile, where it is a relative newcomer to the market, the Group achieved a healthy cashflow breakeven position in the period under review. This result bodes well for the Group's fourth Singapore outlet, due to be opened in the third quarter of 2005.

SPA AND BEAUTY BUSINESSES

One of the reasons the Group originally diversified into the spa and beauty business was because of the higher margins available on services provided. Despite a few fluctuations due to external economic events in previous years, the value to the Group of its spa and beauty businesses has proved extremely positive. The weighting of the Group's sales from this sector has continued to grow, and in the period under review spa and beauty revenue made up 27% of the Group's overall sales, an almost 3% rise over last year. The success of the spa and beauty operations has led to a need for expansion at selected outlets to cater for demand. For example, additional space has been rented to boost the Group's Kowloon Bay

Oasis Beauty outlet, and plans are afoot to extend the space available for the Tsuen Wan Oasis Beauty outlet as well. Moves are also underway to expand the Group's customer base by diversifying its range of beauty services further. From the middle of 2005, the Group will launch a new Beauty Centre brand "Aqua Beauty", aimed at women who currently fall between the socio-economic brackets appealed to by the Oasis Spa and Oasis Beauty operations.

OASIS BEAUTY SCHOOL

In a move designed to create a reliable, high-quality stream of operational talent for its retail, beauty and spa activities, the Group last year began the initial planning for the launch of a skincare and beauty training school. It also saw this move as an opportunity to create diversified revenue. The enterprise, called the "Oasis Beauty School", began operations as planned in March and attracted a good initial student base. As previously reported, the Oasis Beauty School development was planned from the outset as a cautious business venture involving relatively low capital expenditure. This, combined with a positive student response as manifested in enrolment numbers, has resulted in an operation producing immediate good returns. The School's achievement of achieving a cashflow breakeven position after the first month of business is a record for the Group.

PROSPECTS

Further growth in China operations

As mentioned above, the Group's activities in China have continued apace over the period, and it is now well advanced towards its goal of operating 60 self-managed and 70 franchised retail outlets by the end of the year. In addition to this, the Group has noted the growing demand for spa and beauty services in urban China, and the rapid success of a number of spa chains there catering specifically for the lower end of the market. With its own spa and beauty experience and existing involvement in the China market, the Group believes it has the potential to break successfully into this sector on the Mainland. It aims not to compete with existing mass market spa chains however, but to build an upmarket reputation by tailoring its spa and beauty centres to a more affluent elite in major cities.

The Group has now begun negotiations with a China-based partner in a major city for the setting up of the first Water Oasis spa and beauty centre to appear in China. Under any arrangement, the potential partner would own the site and be responsible for all capital investment, while the Group would manage and operate the business and receive a management fee for its role. The Group believes this venture represents an ideal opportunity to explore the particular challenges of operating a spa business in China. It will utilise its Hong Kong experience but at the same time fully explore the special conditions applicable to Mainland customers. Once the most successful formula has been developed, it will turn attention to expanding its spa and beauty network more widely. By partnering with a China-based enterprise for this initial move into the market, the Group believes it is exploring a high-opportunity new market at a minimal level of risk. It will not be required to make any significant investment besides perhaps some portable equipment. The Group is optimistic that the first Water Oasis spa and beauty centre will be operational by the end of 2005.

The Group is currently in the process of applying for its own retail license in China, and the license should have completed processing by the end of the year. In the past, the Group has worked effectively in China by taking advantage of the retail licenses of the outlets selling its products, but obtaining its own retail license would bring a number of additional advantages to the Group. For example, it would allow the Group to operate its own standalone stores if desired, instead of having to rely on department store outlets, a possibility that may become more and more attractive as shopping trends change in China. By the same token, a license would mean the Group could also operate its own spa and beauty centres, if it wished to expand and diversify from its current partnering strategy. The license should also increase the Group's bargaining power with Mainland department stores, establishing it a better recognised and weightier player in the competitive skin care and beauty products market.

New secondary line to be developed jointly with H_2O Plus, L.P.

The Group has recently worked through initial discussions with H_2O Plus, L.P. in the USA about developing and launching a secondary line of skincare products that will create product diversification and offer opportunities to target another market segment, both in Hong Kong and China. The new line, which will consist of around 20 products, will be co-owned by H_2O Plus, L.P. and Water Oasis. Development, formulation and testing will be carried out by H_2O Plus, L.P., while the Group will be responsible for the marketing and distribution side of operations. The basic parameters of this arrangement have been laid out, and the Group is now ready to proceed towards negotiating a formal agreement.

The name and brand image of the new line is still under development, but it is expected that prices will average between one third and a half of the current ~H_2O+ product range. This pricing should open up a large new potential customer base for the Group, particularly in China where price sensitivity is a crucial issue. Furthermore, because the new line of products will all be manufactured in the USA, the line will maintain a genuine "foreign product" status in the China market: a valuable situation in terms of prestige and generation of demand.

The Group expects to begin selling the secondary line in Hong Kong in the first quarter of 2006, before going on to launch it in China once the somewhat lengthy product registration process is completed. In Hong Kong, the new line will be sold through a mix of department stores and selected standalones. The line represents a further example of careful diversification on the Group's part, but besides the benefits of diversification the development offers the Group other important advantages. In China in particular, having an extra brand will boost the Group's exposure in department stores as well as improving its bargaining power in that context, since it will no longer be a single-brand distributor but a multi-brand operator.

New brand to be carried by Water Oasis

Commentators have in the past suggested that the Water Oasis Group is limited because its primary role is as a distributor of ~H_2O+ products. The Group's diversification into the spa and beauty businesses, and other initiatives such as the Oasis Beauty School, have proved this to be an inaccurate assessment. However, in a further diversification move, the Group has recently negotiated with H_2O Plus, L.P. the right to distribute another brand of skin care or cosmetics products. This represents a superb opportunity for the Group to expand by selecting a brand with a different emphasis and target market from those of its existing brand. The Group is still considering its possibilities, and a number of possible choices are on hand. In general, the Group is looking to target a less expensive brand that could give it the chance to move into the mass market.

During the first half of the financial year, there has been a period of considerable planning and negotiation as the Group prepares proactively for the next phase of its growth. Having proved itself in the China retail market, the Group is on the verge of new ventures in spa and beauty there. Its plans for a secondary range of ~H_2O+ products and for distributing a wholly new brand represent a prudent yet ambitious process of diversification and attention to the mass market which is expected to yield good returns, particularly when applied to the Mainland market. These initiatives, while still in some cases at the planning stage, are expected to come quickly to fruition and rapidly repay investors with solid returns.