

## [CEO'S STATEMENT]

### China: The Group's Growth Driver

For the Water Oasis Group, the 2004/2005 fiscal year has involved a steady pursuit of certain clear goals. We have seen our presence in the China market begin to achieve the kind of consumer response we hoped for and expected when we first entered China in much less favorable conditions a few years ago. With China having become a major growth driver for the Group, we are now able to push ahead with new outlets and franchise arrangements. We are confident that we have built up strong brand awareness and won a wide array of new China customers looking for quality skincare and beauty products that are both prestigious and cost-competitive. Our successes to date in China have prompted us to begin looking at other options for utilizing our expertise there: this may include eventually opening China spa operations, for example, or setting up self-owned ~H<sub>2</sub>O+ stores in major cities once we have obtained a valuable China retail license.

### Diversification And Collaboration

Elsewhere in our longer-established markets we have continued our strategies of consolidation and diversification for the future. The former strategy has involved continuously reassessing the placing and patronage of our retail outlets and spa and beauty centres. We have continued to be willing to close down or relocate underperforming outlets where necessary, to make sure we adopt an optimal market coverage. At the same time, we have looked to secure a stable future and withstand shocks to individual sectors by continuing our diversification process. This involves taking steps to collaborate with partners with whom we hope to explore new possibilities in the spa and beauty sectors, and also rolling out new products — some of them self-developed — specially designed for the Asian markets.

### A Blend Of Innovation And Careful Planning

We have successfully kept up the momentum of our China development while continuing to maintain a strong market presence in the more competitive markets of Hong Kong, Taiwan, Singapore and Macau. Once again, we feel that our careful expansion and expenditure planning has played an important part in the successes of the year. This will continue to be a fundamental basis of our decision-making in the year to come. Our strategy continues to be to safeguard and maximize investors' interests by adopting well-informed initiatives tempered by caution and financial prudence, a strategy we have implemented since the Group was first listed. We believe that this strategy will yield the best possible returns for investors in the year to come.



**Yu Lai Si**

Executive Director and Chief Executive Officer

13th January 2006

# “Commitment to Diversity”

