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 2006.

The unaudited consolidated results have been reviewed by the Company's audit committee and the Company's auditors, PricewaterhouseCoopers, in accordance with Statement of Auditing Standard 700 "Engagements to review interim financial reports" ("SAS 700") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The auditors, on the basis of their review, concluded that they are not aware of any material modifications that should be made to the interim report.

Results and Dividend

The Group recorded turnover of approximately HK$243.6 million for the period under review. Profit after taxation was approximately HK$6.6 million. An interim dividend of 2.0 HK cents per share and a special dividend of 1.0 HK cent per share have been declared and payable to the shareholders.

Business Review

During the period under review the Group has begun to reap the fruits of its heavy recent expansion and investment in China. For example, excluding gain arising from change in fair value of investment properties, the figures for both profit after taxation and EBITDA for the six-month period ended 31st March 2006 represented improved performances over those of recent years. These figures have been achieved on the back of significantly improved results in the market, with retail sales contributing double-digit growth and the Group's service businesses performing even better than its retail sales.

The Group expects this positive trend in sales and earnings to continue in the foreseeable future. One of the reasons for the growth is that the Group's China business investment is beginning to pay off, and China is now contributing an ever-larger share of profits. For the period under review, Hong Kong still contributed the largest proportion to the Group's turnover due to its combination of income from both retail and service businesses. This situation is expected to change by next year, however, when China should overtake Hong Kong as the Group's prime source of income.

~H_2O+ Retail Business

China

By the end of May 2006, the Group had 115 ~H_2O+ outlets in operation in China and expects to open between 20 and 30 more by the end of the year. Its China retail network is now extensive and its ~H_2O+ brand well-established, giving rise to higher volumes of sales and greater profits. This was reflected in solid growth in the Group's China retail business, which reported encouraging double digit growth for the period under review.

In March 2006, the Group set up a wholly foreign-owned trading company in China, thus enabling it to legally operate a China retail business without the necessity of forming a partnership with a local enterprise. This new retail capability gives it the option, if it wishes, to independently open standalone retail outlets in China to sell its products, and exercise sole control over their operations. The new retail capability will thus greatly boost the Group's flexibility when it comes to expanding in China. For example, it is planning shortly to launch its first self-owned Beauty Centre in the Mainland.

Hong Kong

The Group's Hong Kong retail business was not able to match the levels of growth of its China counterpart in the period under review, although it made the most of renewed confidence in the Hong Kong economy to achieve a satisfactory performance overall. By the end of May 2006, the Group had a total of 15 ~H_2O+ retail outlets in Hong Kong. Some rationalization of the Group's retail network continues to be carried out to maximize sales effectiveness.

Taiwan, Singapore

In Taiwan sales have shown a slight downturn, and hoped to maintain a steady position for the rest of the year. The number of ~H_2O+ counters operating in Taiwan department stores in the period was the same as last year at 15, and this number will remain stable, although one or two counters may be relocated to maximize sales. As for Singapore, it currently has two standalone ~H_2O+ stores, one department store counter, and one kiosk. The Group's experience in the Singapore market has shown that department store sales are the most successful retail option for its products there. With this in mind, the Group may adjust its mode of operations in Singapore at some future point.

New Neutrogena Business

One of the Group's recent highlights was its signing of an agreement with Johnson & Johnson whereby the Group has obtained the exclusive rights to distribute Johnson & Johnson's Neutrogena brand products in China department store outlets. The agreement, finalized in March 2006, gives the Group an exclusive three-year right to China department store distribution, with an option for a further three-year renewal. Besides operating Neutrogena counters in department stores, the Group will also have the right to offer value-added services such as direct-mail promotions, VIP programmes, and product trials. On their side, Johnson & Johnson will be responsible for all marketing and promotion in China, an arrangement of high media value from the Group's perspective. In addition, the arrangement also helps to take away a major distributing cost from the Group which will enhance the Group's profitability in this venture.

The Group has opened 10 Neutrogena counters to date, and expects to open a total of around 40 by the end of the year. The brand has very high profit potential once adequate sales volumes have been generated. This new venture indicates too the respect in which the Group is held by global businesses looking to expand in Asia. Johnson & Johnson selected the Group on the basis of its strong and experienced management team, and its proven ability of operating successfully in China within the highly competitive skin care industry. The expectation of Johnson & Johnson is that its Neutrogena brand will quickly become established as a top China skin care brand under the care of the Group.

Spa and Beauty Businesses

The Group's Spa and Beauty businesses did very well during the year. The Group benefited in particular from a major turnaround in its Oasis Spa business, which moved from a loss-making to a profit-making position as compared to the prior period. As Oasis Spa targets a specific high-income group, its performance can be a good indicator of wider economic trends in Hong Kong. Oasis Spa has a very strong VIP customer group which offers a good basis for future growth.

During the period under review, the Group's existing Causeway Bay Oasis Spa outlet was expanded to cope with increasing demand, with an extra 3,000 sq ft of space being added. In April 2006, the Group also opened a new Aqua Beauty outlet in Causeway Bay. Its Oasis Homme outlet performed quietly, but the Group sees this as an important component in its efforts to offer health and beauty service options to every segment of the population.

Oasis Beauty School

The Oasis Beauty School has continued to operate successfully. It has been awarded as a recognized examination centre of various international professional beauty organizations like ITEC, CIBTAC and City & Guilds. The Group regards the School primarily as a nurturing ground for new talents, and a pool for potential staff. At the end of 2005, students taking the School's courses achieved an average pass rate of over 95% in the international recognized examinations. With the government tightening up on the provision of beauty services, it is possible that international beauty qualifications such as those offered at the School may become mandatory for practitioners of beauty services. If this occurs, the Group will be in a strong position thanks to its established Beauty School operations.

Other

The Group sold its Causeway Bay investment properties in March 2006. It benefited from the recent recovery of the Hong Kong property market, recording an investment gain of approximately HK$30 million over the two years that it had held the property. The entire transaction will be completed before the end of the current fiscal year.

Prospects

Sure Slim

In May 2006, the Group launched a new initiative in the Hong Kong market with the opening of three new mass-market slimming outlets in Causeway Bay, Tsuen Wan and Tuen Mun. The new slimming chain, branded as "Sure Slim"is targeting the mass market by offering extremely competitive package prices for its slimming services. Costs of establishing the centres were kept tight, with around HK$2 million spent on each set-up. The centres are located in commercial buildings with comparatively lower rental costs, again helping to keep expenses low. Because of these cost-saving measures, the Group expects to achieve cash flow break-even on this enterprise within just six months of operations.

Neutrogena

The Group sees its new Neutrogena distribution arrangement as having extremely good prospects for the future once a strong sales network has been established in China. Because Neutrogena products are relatively low-priced, a high volume of sales is important. Currently the Group has 10 outlets in China department stores, but it expects to expand this number rapidly to around 40 by year end. This means that profits from the Neutrogena line will be low in the first year of operations, but are expected to rise quickly in the second and third years to the point where they will contribute a great deal to the Group's bottom line.

The fact that the Group now has two independent brands to distribute, ~H_2O+ and Neutrogena, means that its bargaining and negotiating power with China department stores has been considerably enhanced. It expects to achieve better sales terms, and be able to move more quickly in expanding its distribution base. It also has a wide network of outlets currently stocking ~H_2O+ products that constitute a ready-made network for introducing the Neutrogena brand.

China Beauty Centre

The Group is utilizing its new China retail capability in the first instance by building its first Beauty Centre in China. The Centre, which will open in Shanghai in the last quarter of 2006, is currently at the planning stage, and is expected to be from 2,000 to 3,000 sq ft in size. It is being based on the successful Hong Kong beauty business model, with adjustments for China conditions.

The new Beauty Centre is designed to test market response to the concept in urban China, with a view to the opening of further Beauty Centres if it is favourably received. The Group undertook extensive market research before deciding to launch the Shanghai Beauty Centre, and is very optimistic about its prospects. In particular, the Beauty Centre will benefit from the fact that the Group has a strong existing brand in the China market, along with a large pre-established retail outlet network that can be used to attract potential customers.

Other developments

Other developments planned include the launch of a secondary line of ~H_2O+ skincare products to further diversify its product range, and the continued expansion of the ~H_2O+ retail network in China, with from 20 to 30 new outlets planned for opening. The China environment is now becoming a major source of profitability for the Group, and much of its focus in the coming months will be on maximizing its exposure there, expanding its market presence and the number of its retail outlets. It is confident that its efforts to date have laid a solid foundation for excellent results over the next couple of years, through its diverse product lines and its new Beauty Centre business. In Hong Kong, the launch of Sure Slim has added another string to the Group's bow, and is a further move believed to have great future potential. These new initiatives are working in tandem with the Group's established retail and service operations in Hong Kong and elsewhere, creating a multi-layered business enterprise with many opportunities for investor gains.