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Water Oasis Group Limited

(incorporated in Cayman Islands with limited liability)

PLACING OF EXISTING SHARES AND TOP-UP SUBSCRIPTION OF NEW SHARES

PLACING AGENT



KINGSTON SECURITIES LIMITED

On 16 February 2004, the Vendor entered into the Placing Agreement and the Subscription Agreement with the Placing Agent and the Company respectively. Pursuant to the Placing Agreement, the Vendor has agreed to place, through the Placing Agent, 15,000,000 Placing Shares, on a fully underwritten basis, to not less than six independent investors at a price of HK\$0.50 per Share. Pursuant to the Subscription Agreement, the Vendor conditionally agreed to subscribe for 15,000,000 Subscription Shares at a price of HK\$0.50 per Share.

The Placing Shares represent about 4.66% of the existing issued share capital of the Company of 321,900,000 Shares and about 4.45% of the Company's issued share capital as enlarged by the Subscription. The Subscription Shares represent about 4.66% of the existing issued share capital of the Company of 321,900,000 Shares and about 4.45% of the Company's issued share capital as enlarged by the Subscription. The net proceeds from the Subscription of about HK\$7.1 million will be used for general working capital.

The Subscription is conditional upon the Stock Exchange granting listing of, and permission to deal in, the Subscription Shares.

THE PLACING AGREEMENT DATED 16 FEBRUARY 2004

Parties involved

The Placing Agreement was entered into between the Vendor and the Placing Agent.

Placing Agent

Kingston Securities Limited is the Placing Agent and will receive a placing commission of 2.5% on the gross proceeds of the Placing, which was arrived at after arm's length negotiation between the Company and the Placing Agent. The Placing Agent is independent of and not connected with the Company nor with the directors, chief executive or substantial shareholder of the Company, and any of their subsidiaries or any of their respective associates.

Placees

There will have not less than six independent placees (which will be independent individual, corporate and/or institutional investors), who and whose ultimate beneficial owners will be independent of and not connected with the Vendor or the directors, chief executive or substantial shareholders of the Company, or any of its subsidiaries or any of their respective associates. None of the placees will become a substantial shareholder of the Company immediately following completion of the Placing and Subscription.

Placing price

The Placing price is HK\$0.50 per Placing Share. The Placing price was determined after arm's length negotiation among the Company, the Vendor and the Placing Agent with reference to, amongst other things, the recent trading price of the Shares on the Stock Exchange. The Placing price represents (i) a discount of about 35.06% to the closing price of the Shares of HK\$0.77 per Share as quoted on the Stock Exchange on 16 February 2004, being the last trading day immediately before the date of this announcement; and (ii) a discount of about 9.09% over the average closing price of the Shares of about HK\$0.55 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including

the last trading day immediately before the date of this announcement.

The Placing Shares

The 15,000,000 Placing Shares are to be placed by the Placing Agent on a fully underwritten basis. The Placing Shares represent about 4.66% of the existing issued share capital of the Company of 321,900,000 Shares and about 4.45% of the Company's issued share capital as enlarged by the Subscription of 15,000,000 Shares.

Ranking of Placing Shares

The Placing Shares rank pari passu among themselves and with Shares in issue as at the date of this announcement.

Condition and completion of the Placing

The Placing is unconditional. Completion of the Placing will take place on or before 5:00 p.m. on 19 February 2004.

THE SUBSCRIPTION AGREEMENT DATED 16 FEBRUARY 2004

Parties involved

The Subscription Agreement was entered into between the Vendor, as subscriber, and the Company.

Price of the Subscription Shares

The price of the Subscription Shares is HK\$0.50 per Subscription Share. The Subscription price is equivalent to the Placing price and was determined after arm's length negotiation between the Company and the Vendor with reference to, amongst other things, the Placing price of the Placing Shares.

Number of Subscription Shares

The Subscription Shares represent 15,000,000 new Shares. The Subscription Shares represent about 4.66% of the existing issued share capital of the Company of 321,900,000 Shares and about 4.45% of the Company's issued share capital as enlarged by the Subscription of 15,000,000 Shares.

Ranking of Subscription Shares

The Subscription Shares, when issued and fully paid, will rank pari passu among themselves and with Shares in issue at the time of issue and allotment of the Subscription Shares.

Conditions

The Subscription is conditional upon:

- (a) the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares;

- (b) completion of the Placing; and
- (c) the Company obtaining all consents and approvals from the relevant authorities, if applicable, to allot, issue and subsequent transfer of the Subscription Shares.

The Subscription Agreement does not provide either party the rights to waive the above conditions.

Application will be made to the Stock Exchange to grant the listing of, and permission to deal in, the Subscription Shares.

Completion

Under the Listing Rules, the Subscription must be completed within 14 days from the date of the Subscription Agreement, that is, on or before 1 March 2004.

In the event that the conditions to the Subscription Agreement are not fulfilled by 1 March 2004, the Company and the Vendor may elect, subject to compliance with all requirements in relation to connected transactions under the Listing Rules, to postpone completion of the Subscription to a later date to be agreed between the Company and the Vendor.

GENERAL MANDATE

The Subscription Shares will be allotted and issued pursuant to the general mandate to allot, issue and deal with Shares granted to the Directors by a resolution passed at the Company's annual general meeting held on 11 March 2003. At the date of this announcement, the existing general mandate has not yet been utilised.

EFFECTS ON SHAREHOLDING STRUCTURE

| | Before the Placing and the Subscription <i>(approximately)</i> | After the Placing but before the Subscription <i>(approximately)</i> | After the Placing and the Subscription <i>(approximately)</i> |
|---|--|--|---|
| Yu Lai Si | 24.10% | 24.10% | 23.05% |
| Zinna Group Limited <i>(Note 1)</i> | 24.10% | 24.10% | 23.05% |
| Billion Well Holdings Limited <i>(Note 2)</i> | 12.10% | 12.10% | 11.53% |
| Vendor Advanced Favour Holdings Limited <i>(Note 3)</i> | 12.10% | 7.44% | 11.53% |
| Placees | - | 4.66% | 4.45% |
| Public | 27.60% | 27.60% | 26.39% |
| | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |

Notes:

1. All voting rights of Zinna Group Limited are held by Royalion Worldwide Limited, which is wholly owned by Hitchin Trading Limited as trustee of Hitchin Unit Trust which in turn is ultimately held by Trident Trust Company (Cayman) Limited which forms part a discretionary trust set up by Tam Chie Sang and Yu Lai Chu, Eileen, Trident Trust Company (Cayman) Limited is the trustee of the discretionary trust, the beneficiaries of which are the family members of Tam Chie Sang and Yu Lai Chu, Eileen.
2. Billion Well Holdings Limited is a British Virgin Islands company held by Y P Lai 2002 Grantor Retained Annuity Trust formed for the benefit of Lai Yin Ping and Lai Yin Ping's sister, Lai Yin Ling and upon her death, Lai Ying Ping's mother, Wong Kwai Ying. Lai Yin Ping is the sole trustee to the Y P Lai 2002 Grantor Retained Annuity Trust.
3. Advance Favour Holdings Limited is a British Virgin Islands company held by K S Yu 2002 Grantor Retained Annuity Trust formed for the benefit of Yu Kam Shui, Erastus and Lai Yin Ping's sister, Lai Ying Ling and upon her death, Yu Kam Shui, Erastus' mother, Fung Sin Ping. Yu Kam Shui, Erastus and Lai Yin Ping are the trustees to the K S Yu 2002 Grantor Retained Annuity Trust.

USE OF PROCEEDS

The Company will bear all costs and expenses in connection with the Placing and the Subscription. The net proceeds of about HK\$7.1 million from the Subscription will be used for the Company's general working capital. The Company has no specific use for the net proceeds of the Subscription.

Although the Group has sufficient working capital for its operations at present, the Directors consider that the Subscription will strengthen the cash position of the Group.

REASONS FOR THE PLACING AND THE SUBSCRIPTION

The Directors consider that the Placing and the Subscription represent an opportunity to raise capital for the Company while broadening the shareholder base and the capital base of the Company.

GENERAL

The Group is principally engaged in the distribution of ~H₂O+ brand skincare products in Hong Kong, Macau, Taiwan and the

Mainland China. Certain of its principal subsidiaries also engaged in the operation of spa and beauty centres in Hong Kong under the brand names “Oasis Spa”, “Oasis Beauty” and “Oasis Beauty Homme”, which offer wide varieties of beauty and massage services.

The Directors consider the terms of the Placing Agreement and the Subscription Agreement to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Group has not conducted any fund raising activities for the past 12 months up to the date of this announcement.

The Directors have noted recent increases in the price and the trading volume of the Shares and wish to state that they are not aware of any reasons for such increases.

Save as disclosed above, the Directors confirm that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under paragraph 3 of the Listing Agreement, neither are the Directors aware of any matter discloseable under the general obligation imposed by paragraph 2 of the Listing Agreement, which is or may be of a price-sensitive nature.

TERMS AND DEFINITION

| | |
|-----------------|---|
| “associates” | has the meaning ascribed to this term under the Listing Rules |
| “Company” | Water Oasis Group Limited, a company incorporated in Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange |
| “Director(s)” | director(s) of the board of the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | Hong Kong Special Administrative Region of The People’s Republic of China |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Placing” | the placing of 15,000,000 Shares beneficially owned by the Vendor pursuant to the Placing Agreement |

| | |
|--------------------------|--|
| “Placing Agent” | Kingston Securities Limited, a licensed corporation to carry on business in types 1, 4, 6 and 9 regulated activities (dealing in securities, advising on securities and corporate finance, and asset management) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Placing Agreement” | the placing agreement between the Vendor and the Placing Agent dated 16 February 2004 in relation to the Placing |
| “Placing Shares” | a total of 15,000,000 Shares beneficially owned by the Vendor and to be placed pursuant to the Placing Agreement |
| “Shareholder(s)” | holder(s) of the Shares |
| “Share(s)” | ordinary share(s) of HK\$0.10 in the share capital of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription” | the subscription for the 15,000,000 Subscription Shares pursuant to the Subscription Agreement |
| “Subscription Agreement” | the conditional subscription agreement between the Company and the Vendor dated 16 February 2004 in relation to the Subscription |
| “Subscription Shares” | a total of 15,000,000 new Shares to be subscribed for by the Vendor pursuant to the Subscription Agreement |
| “Vendor” | Advance Favour Holdings Limited, a company incorporated in British Virgin Islands with limited liability |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |

“%”

per cent.

By Order of the Board
Water Oasis Group Limited
Yu Lai Si
Executive Director
and
Chief Executive Officer

Hong Kong, 16 February 2004

Please also refer to the published version of this announcement in *The Standard*.