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Water Oasis Group

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WATER OASIS GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1161)

GRANT OF OPTION

The Company has, upon the signing of the Consultancy Agreement, conditionally granted to the Advisor the right to require the Company to issue up to 36,955,600 Option Shares at the Option Price of HK\$2.26 per Option Share during the Option Period to the Advisor or the Nominee(s). The Option can be exercised once or more than once, in full (or in part), in such amounts and at such times as the Advisor shall determine during the Option Period.

THE CONSULTANCY AGREEMENT

The services

On 18 December 2009, the Company, the Advisor and Mr. Leung entered into the Consultancy Agreement pursuant to which the Company engaged the Advisor for a period of 24 months commenced on the date of the Consultancy Agreement to provide on reasonable demand general consultancy and financial advisory services to the Group including but not limited to (i) matters involving corporate finance and mergers and acquisitions; (ii) identifying and reviewing suitable acquisition opportunities for the Group and negotiating for and on behalf of the Group in relation to any such acquisition opportunities; and (iii) matters relating to capital structure of the Company.

Mr. Leung is the sole owner, Chairman and Chief Executive Officer of the Advisor. He is also the Chairman (Greater China) of CVC Asia Pacific. He has nearly 30 years of experience in investment banking, in particular, the field of corporate finance. To the best knowledge, information and belief of the Directors, the Advisor and Mr. Leung are independent third parties and not connected persons of the Company.

Grant of Option

In consideration of the agreement to provide the services by the Advisor under the Consultancy Agreement, the Company has, upon the signing of the Consultancy Agreement, conditionally granted to the Advisor the right to require the Company to issue up to 36,955,600 Option Shares at the Option Price of HK\$2.26 per Option Share during the Option Period to the Advisor or the Nominee(s). The Option can be exercised once or more than once, in full (or in part), in such amounts and at such times as the Advisor shall determine during the Option Period.

The Option Shares represent: (i) 10% of the existing issued share capital of the Company; and (ii) approximately 9.09% of the issued share capital of the Company as enlarged by the issue of the Option Shares.

Option Price

The Option Price of HK\$2.26 per Option Share was determined after arm's length negotiation between the Company and the Advisor based on the average closing price of the Shares as quoted on the Stock Exchange over the last 30 Business Days immediately preceding the date of the Consultancy Agreement and represents a discount of approximately 13.41% to the closing price of HK\$2.61 per Share as quoted on the Stock Exchange on 18 December 2009, being the date of the Consultancy Agreement.

Option Period

A period of 36 months commenced on 18 December 2009, being the date of the Consultancy Agreement, and ending on 17 December 2012.

Condition

The grant of the Option is conditional upon the Stock Exchange granting the listing of, and permission to deal in, the Option Shares having been obtained. If such condition is not fulfilled within 20 Business Days after the date of the Consultancy Agreement (or such other date as may be agreed between the Company and the Advisor), the Consultancy Agreement shall terminate and neither the Company nor the Advisor shall have any claim against the other for any costs or losses (save for any prior breaches of the Consultancy Agreement).

General Mandate

The granting of the Option and the allotment and issue of the Option Shares are not subject to the approval of the Shareholders. The Option Shares will be issued pursuant to the General Mandate. The Directors were authorised to allot and issue up to 73,911,200 Shares pursuant to the General Mandate and the General Mandate has not been utilised up to the date of this announcement.

Adjustments

In the event of an alteration in the capital structure of the Company during the Option Period by way of capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares, or reduction of the share capital of the Company in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party) and payment of extraordinary dividends, such as total dividends paid or payable for a particular year exceed the total ordinary profit after tax for that particular year (“Dividends”), such corresponding adjustments (if any) shall be made to:

- (a) the number or nominal amount of the Option Shares then remaining subject to the Option so far as unexercised; and/or
- (b) the Option Price;

or any combination thereof, provided that any such adjustments should give the Advisor or the Nominee(s) the same proportion of the equity capital of the Company as that to which the Advisor or the Nominee(s) was previously entitled (save in the case of payment of Dividends, the proportion of equity capital in the Company held by the Advisor or the Nominee(s) may change) but no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value.

Given that the number or nominal amount of the Option Shares and/or the Option Price may in the future be adjusted as a result of the happening of the adjustment events as mentioned above, the number of Option Shares which may fall to be issued upon exercise of the Option may exceed 36,955,600. In such case, the Company will ensure that it will have sufficient mandate, either from available unused General Mandate or by specific mandate to be obtained from the Shareholders, to cover the issue of all Option Shares before carrying out any transaction which will trigger any adjustment to the number or nominal amount of the Option Shares and/or the Option Price.

Ranking of the Option Shares

The Option Shares, when issued, will rank *pari passu* in all respects with all other Shares in issue and be entitled to all dividends and distributions the record date of which falls on a date on or after the date of the notice of exercise of the Option.

Transfer

The Option shall be fully assignable by the Advisor to any party.

Voting

The holder of the Option will not be entitled to attend or vote at any meetings of the Company by reason only of it being a holder of the Option and will not be entitled to receive notice of any meetings of the Company.

Application for listing

The Company will apply to the Stock Exchange for the listing of, and permission to deal in the Option Shares.

USE OF PROCEEDS

The net proceeds to be received by the Company upon the exercise of the Option in full are estimated to about HK\$83.52 million and intended to be used by the Company for future investment or expansion should opportunities arise and for general working capital purposes of the Group.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT

The Company has not carried out any fund raising activities in the 12 months immediately preceding the date of this announcement.

REASONS FOR THE GRANT OF THE OPTION

The Group is principally engaged in the businesses of retail distribution of skincare products and provision of beauty services. The Group operates with exclusive distribution rights to the (i) ~H₂O+ brand skincare products in the region of Hong Kong, Macau, Mainland China, Taiwan and Singapore; (ii) Yves Rocher brand skincare products in the region of Mainland China; and (iii) Erno Laszlo brand skincare products in the region of both Hong Kong and Mainland China. In addition, the Group also operates beauty services including the spa, beauty centres and medical beauty clinics under the brand names of “Oasis Spa”, “Aqua Beauty”, “Oasis Beauty”, “Oasis Homme” and “Oasis Medical Centre”.

The Directors believe that the strong business connection and experience of Mr. Leung in the field of corporate finance will benefit the Company in its pursuance of business expansion and diversification. The grant of the Option to the Advisor will not have any adverse impact on the cashflow of the Group, the Shareholder base of the Company will be enlarged and the Company will receive subscription money upon exercise of the Option in full (or in part). The Directors believe that the terms of the Consultancy Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company has no warrants, options or other convertible securities which are still outstanding as at the date of this announcement.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately following the exercise of the Option in full:

	As at the date of this announcement		Immediately following the exercise of the Option in full	
	Number of Shares	%	Number of Shares	%
Yu Lai Si	83,056,880	22.47	83,056,880	20.43
Yu Lai Chu, Eileen	2,980,000	0.81	2,980,000	0.73
Yu Kam Shui, Erastus	2,000,000	0.54	2,000,000	0.49
Lai Yin Ping	3,000,000	0.81	3,000,000	0.74
Wong Lung Tak, Patrick, <i>J.P.</i>	600,000	0.16	600,000	0.15
Wong Chun Nam	600,000	0.16	600,000	0.15
Zinna Group Limited (<i>Note 1</i>)	77,666,880	21.02	77,666,880	19.11
Advance Favour Holdings Limited (<i>Note 2</i>)	38,833,440	10.51	38,833,440	9.55
Billion Well Holdings Limited (<i>Note 3</i>)	38,833,440	10.51	38,833,440	9.55
The Advisor	–	–	36,955,600	9.09
Other public	121,985,360	33.01	121,985,360	30.01
Total	<u>369,556,000</u>	<u>100.00</u>	<u>406,511,600</u>	<u>100.00</u>

Notes:

1. Zinna Group Limited is a company incorporated in Hong Kong. All of its voting rights are held by Royalion Worldwide Limited, a British Virgin Islands company, which is 51% owned by Tam Chie Sang and 49% owned by his spouse, Yu Lai Chu, Eileen, both are Directors.
2. Advance Favour Holdings Limited is a British Virgin Islands company beneficially owned by Lai Yin Ling, sister of Lai Yin Ping, a Director.
3. Billion Well Holdings Limited is a British Virgin Islands company beneficially owned by Lai Yin Ling, sister of Lai Yin Ping, a Director.

GENERAL

Pursuant to Rule 14.74 of the Listing Rules, as the exercise of the Option is not at the Company's discretion, the transaction will be classified as if the Option had been exercised on the grant of the Option. For the purpose of calculating the percentage ratios under Rule 14.06 of the Listing Rules, the consideration is the Option Price. As each of the applicable percentage ratios is more than 5% but less than 25%, the grant of the Option constitutes a discloseable transaction for the Company under the Listing Rules. The Company will make announcements on the exercise or transfer of the Option as soon as reasonably practicable.

DEFINITIONS

In this announcement, unless otherwise indicated in the context, the following expressions have the meanings set out below:

“Advisor”	Luminary Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, a Sunday or a public holiday or a day on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.), on which banks are open for general banking business in Hong Kong
“Company”	Water Oasis Group Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consultancy Agreement”	the consultancy agreement dated 18 December 2009 and entered into between the Company, the Advisor and Mr. Leung
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors at the annual general meeting of the Company held on 6 March 2009 to allot or otherwise deal with the unissued Shares

“Group”	the Company and its subsidiaries
“Hong Kong”	the 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
“Mr. Leung”	Mr. Leung Pak To, Francis
“Nominee(s)”	Mr. Leung or his nominee(s)
“Option”	the option conditionally granted by the Company to the Advisor giving it the right to require the Company to issue up to 36,955,600 Option Shares at the Option Price during the Option Period to the Advisor or the Nominee(s) pursuant to the terms of the Consultancy Agreement
“Option Shares”	36,955,600 Shares to be issued upon the exercise in full the Option which Shares shall rank pari passu in all respects with the Shares in issue as at the date of the notice of exercise of the Option
“Option Period”	a period of 36 months commenced on the date of the Consultancy Agreement and ending on 17 December 2012
“Option Price”	HK\$2.26 per Option Share (subject to adjustments for, among other things, capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares or reduction of the share capital of the Company and payment of extraordinary dividends)
“percentage ratios”	has the meaning ascribed to it under the Listing Rules
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong
“%” per cent.

By Order of the Board
YU Lai Si
Executive Director and Chief Executive Officer

Hong Kong, 20 December 2009

As at the date of this announcement, the executive directors of the Company are Yu Lai Si, Tam Chie Sang, Yu Lai Chu, Eileen, Yu Kam Shui, Erastus and Lai Yin Ping. The independent non-executive directors of the Company are Wong Lung Tak, Patrick, J.P., Wong Chun Nam and Wong Chi Keung.