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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)

DISCLOSEABLE TRANSACTION REGARDING THE PROPOSED ACQUISITION OF GLYCEL BUSINESS

On 15 April 2010, Vibrant Success, a wholly-owned subsidiary of Water Oasis agreed, subject to the fulfilment of certain conditions precedents described below, to purchase from the Vendors, the Glycel Business, which comprises all the issued shares of PSL (which holds the Trademarks through two wholly-owned subsidiaries), specific assets and records of the Glycel Business and all existing Vendor's rights at Completion against third parties in relation to the Glycel Business as set out in the Sale and Purchase Agreement and to assume liabilities under the Assumed Contracts (comprising, mainly, unexpired and outstanding contracts for beauty and personal care services at beauty salons operated by the Glycel Business). Vibrant Success has agreed to pay to the Vendors in connection with such purchase a Cash Consideration of HK\$27 million, subject to adjustments described below.

As certain of the percentage ratios for the Acquisition calculated in accordance with the Listing Rules exceed 5% but are less than 25%, the Acquisition therefore constitutes a discloseable transaction of Water Oasis under Chapter 14 of the Listing Rules.

INTRODUCTION

The Directors are pleased to announce the Water Oasis Group's proposed acquisition of the Glycel Business and related assets pursuant to the Sale and Purchase Agreement.

The Glycel Business involves the distribution, through its six self-operated beauty salons and two concession counters in Hong Kong, of a range of Swiss developed and produced skin-care products under the "Glycel" brand and the provision of beauty and

personal care services. It is currently operated through Glycel HK (as the procurement arm of the Glycel Business which supplies Glycel products principally to Glycel Beauty) and Glycel Beauty (as the operator of beauty salons and concession counters). LGS and GLS are Trademarks holding companies. The “Glycel” trademark is registered in over 60 countries and in Hong Kong.

Glycel HK and Glycel Beauty are wholly-owned by Glycel Holdings, an investment holding company, which is in turn legally and beneficially owned as to 90% by Mr. Chu and 10% by his daughter. The two trademark holding companies, LGS and GLS, are owned by PSL.

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, Glycel HK, Glycel Beauty, Glycel Holdings, Mr. Chu and his daughter are third parties independent of and not connected with Water Oasis and its connected persons (as defined in the Listing Rules).

THE SALE AND PURCHASE AGREEMENT

Vibrant Success, as purchaser, entered into the Sale and Purchase Agreement on 15 April 2010, with Glycel HK, Glycel Beauty and Mr. Chu as vendors, and Mr. Chu and Glycel Holdings as guarantors, which contains terms described below.

Subject matter of the Acquisition

Vibrant Success has conditionally agreed to acquire the Glycel Business which comprises all the issued shares of PSL, specific assets and records of the Glycel Business and all existing Vendor’s rights at Completion against third parties in relation to the Glycel Business. The specific assets to be transferred include, among others, 1) the goodwill and the exclusive right to carry on the Glycel Business, 2) all intellectual property rights including the Trademarks and other rights attached to the design, advertising and marketing materials used in connection with the Glycel Business, 3) all fixed assets including equipment, furniture and fixtures, leasehold improvements, a motor vehicle, computer equipment and software, 4) domain names and 5) stock, as set out in the Sale and Purchase Agreement.

Subject to Completion taking place, Vibrant Success will be entitled to all the revenue generated by the Glycel Business less Agreed Operating Costs and will assume all liabilities under the Assumed Contracts, in each case from the date of the Sale and Purchase Agreement. The Assumed Contracts comprise mainly unexpired and outstanding contracts for beauty and personal care services at beauty salons operated by the Glycel Business, the Unutilised Value of which is expected not to exceed HK\$40 million. Investors should note that the actual costs of delivering the relevant beauty and personal care services are likely to be materially less than the Unutilised Value. The Assumed Contracts also include IT (information technology) related contracts which are used solely for the Glycel Business.

The employment contracts for existing employees, tenancy agreements and concession counter arrangements of the Vendors in connection with Glycel Business will not be assumed by Vibrant Success. Instead, it is intended that Vibrant Success will make offers to employ the relevant employees and (as a condition precedent to Completion) negotiate and enter into new tenancy agreements with the landlords of the existing operating premises. Vibrant Success will also seek to negotiate the continuation of current concession counters arrangements.

Cash Consideration

Vibrant Success is to pay to the Vendors a Cash Consideration, which is HK\$27 million less (i) 70% of the amount by which the aggregate Unutilised Value of the Beauty Services Package as at the date of signing the Sale and Purchase Agreement exceeds HK\$32 million and (ii) the amount by which the aggregate book value of fixed assets and stock of the Glycel Business as mentioned above as at the date of signing of the Sale and Purchase Agreement is less than approximately HK\$6 million, being the agreed aggregate book value of those assets as at 26 March 2010, the date on which the parties to the Sale and Purchase Agreement signed a non-binding heads of agreement in respect of the Acquisition.

Vibrant Success paid to the Vendors earnest money in the amount of HK\$4,050,000 on 26 March 2010. On the signing of the Sale and Purchase Agreement, Vibrant Success paid a further deposit to the Vendors of HK\$17,550,000. Both amounts will be applied in and towards the satisfaction of the Cash Consideration, with the balance payable on Completion. If Completion does not take place, the amounts paid to the Vendors are to be refunded to Vibrant Success without interest.

The amount of Cash Consideration was arrived at after arm's length negotiations between Vibrant Success and the Vendors and Guarantors. In agreeing the amount of Cash Consideration, Water Oasis Group has taken into account factors including the existing condition and the potential prospects of the Glycel Business after acquisition by the Water Oasis Group, the book value of the assets of the Glycel Business to be acquired, the potential liabilities under Assumed Contracts and the investment that may be required to self develop and establish a new brand and related business. The Cash Consideration will be funded by Water Oasis Group's internal cash resources.

Conditions

Completion of the Acquisition is conditional upon fulfilment (to the extent not waived by Vibrant Success) of the following conditions:

- (a) the continued operation of the Glycel Business in substantially the same manner as prior to the signing of the Sale and Purchase Agreement and as a going concern;
- (b) the notice of transfer published in compliance with Section 5 of the Transfer of Business (Protection of Creditors) Ordinance (Cap.49) becoming unconditionally complete in all respects in accordance with the provisions of the Ordinance other than in respect of those claims which are paid, compromised and defended;

- (c) Vibrant Success having (i) received evidence to its reasonable satisfaction of the agreement, on terms acceptable to it, to terminate each of the existing leases of operating premises of the Glycel Business on terms that the premises that are subject thereto need not be re-instated upon such termination; and (ii) itself or through its nominees concluded binding agreements for the occupation by it or its nominees of all of those operating premises (on terms no less favourable to the tenant than under the existing leases);
- (d) Vibrant Success having received a written agreement from the Swiss suppliers of the skin-care products marketed under the “Glycel” brand (on terms acceptable to Vibrant Success acting reasonably) to continue exclusive supply of the products to Vibrant Success or its subsidiaries;
- (e) Vibrant Success having received written evidence to its reasonable satisfaction that the entire issued share capital of LGS and GLS comprise of registered shares and that the registered owner of the same is PSL; and
- (f) each of Glycel HK, Glycel Beauty and Glycel Holdings having passed (and filed with the Registrar of Companies in Hong Kong) a special resolution to change its name so that no longer contains the word “Glycel” and is not otherwise confusingly similar to the names of other companies registered with the Registrar of Companies in Hong Kong.

If the above conditions (to the extent not waived by Vibrant Success) cannot be fulfilled by 30 June 2010 (or such later date as may be agreed between Vibrant Success and the Vendors), the Sale and Purchase Agreement will terminate and all obligations of the parties under the Sale and Purchase Agreement will cease, except for antecedent breaches, the Vendors’ obligations to refund the earnest moneys and further deposit paid by Vibrant Success and arrangements to put the Vendors in full control of the Glycel Business if and to the extent that any transfer of operational control has taken place in anticipation of Completion. Vibrant Success also has the right to terminate the Sale and Purchase Agreement if there is any material breach of warranties.

Completion

Subject to all the conditions having been fulfilled or waived, Completion shall take place on the fifth business day next following the fulfilment of the conditions precedent (except the condition precedent (a)) above, or such later date as the parties may agree.

Non-competition undertakings

The Vendors and the Guarantors have undertaken in the Sale and Purchase Agreement not to engage at any time within 36 months from the date of Completion, whether directly or indirectly, on its own or with others, whether as owner, employee, consultant or otherwise (i) in the provision of beauty or personal care services in Hong Kong; and (ii) in the provision of beauty or personal care products that competes with the

Glycel products offered by the Glycel Business. They have also undertaken during that 36 months period not to directly or indirectly commission, purchase from and/or distribute for either or both of the suppliers of skin-care products to the Glycel Business any beauty or personal care products developed and/or managed solely and/or jointly with others by such suppliers.

ADDITIONAL INFORMATION ON THE BUSINESS AND ASSETS BEING ACQUIRED

As mentioned in the section headed “Introduction”, the Glycel Business involves the distribution, through its six self-operated beauty salons and two concession counters in Hong Kong, of a range of skin-care products under the “Glycel” brand and the provision of beauty and personal care services at its beauty salons under the same brand. The skin-care products offered under the “Glycel” brand are produced and supplied exclusively for the Glycel Business by two Swiss companies, CRB, S.A. and Intercosmetica Neuchâtel S.A.. The products contain a special element known as “Glycosphingolipids (GSL)” which helps improve skin complexion and delay signs of aging of skin.

The Glycel Business is currently operated through Glycel HK (as the procurement arm of the Glycel Business which supplies Glycel products principally to Glycel Beauty) and Glycel Beauty (as the operator of beauty salons and concession counters). LGS and GLS are Trademarks holding companies. These two companies are wholly-owned by PSL whose entire issued share capital will be sold to the Purchaser on Completion.

Based on the latest available financial information from the Vendors, the audited net (loss)/profit before and after taxation and extraordinary items of Glycel HK and Glycel Beauty for the two financial years ended 31 March 2009 and their unaudited net loss before and after taxation and extraordinary items for the ten months ended 31 January 2010 based on Hong Kong Financial Reporting Standards were as follows:-

| | Glycel HK^(Note) <i>HK\$'000</i> | Glycel Beauty <i>HK\$'000</i> |
|--|--|---|
| Audited net (loss)/profit for the year ended 31 March 2008 | | |
| – before taxation and extraordinary items | (4,915) | 6 |
| – after taxation and extraordinary items | (4,915) | (299) |
| Audited net (loss) for the year ended 31 March 2009 | | |
| – before taxation and extraordinary items | (7,576) | (6,364) |
| – after taxation and extraordinary items | (7,576) | (6,339) |
| Unaudited net (loss) for the ten months ended 31 January 2010 | | |
| – before taxation and extraordinary items | (6,717) | (4,273) |
| – after taxation and extraordinary items | (6,717) | (4,273) |

Note: Glycel HK is the procurement arm of the Glycel Business. It procures and supply products principally to Glycel Beauty. However, during the financial years / period referred to above it also supplied Glycel products on a wholesale basis to a cosmetic and skin-care products distributor in Hong Kong. This wholesale business does not form part of the Glycel Business being acquired and will cease upon the signing of the Sale and Purchase Agreement.

Based on the unaudited financial statements of LGS for the year ended 31 December 2008 and the audited financial statements of LGS for the year ended 31 December 2009 prepared in accordance with Liechestein GAAP, LGS had (i) net loss before and after taxation and extraordinary items for the year ended 31 December 2008 of approximately HK\$60,000 and HK\$67,000; (ii) net loss before and after taxation and extraordinary items for the year ended 31 December 2009 of approximately HK\$65,000 and HK\$73,000; and (iii) as at 31 December 2009, net liabilities of HK\$157,000.

Based on the audited financial statements of GLS for the year ended 31 December 2009 prepared in accordance with Swiss GAAP, GLS had (i) net loss before and after taxation and extraordinary items for the year ended 31 December 2008 of approximately HK\$95,000 and HK\$97,000; (ii) net loss before and after taxation and extraordinary items for the year ended 31 December 2009 of approximately HK\$88,000 and HK\$92,000 and (iii) as at 31 December 2009, net asset value of HK\$415,000.

PSL is an investment holding company incorporated in British Virgin Islands for the sole purpose of acquiring LGS and GLS to facilitate this transaction has had no material business operations, assets or liabilities since its incorporation on 16 March 2010.

The unaudited book value of the assets (excluding the net asset value of LGS, GLS and PSL) being acquired under the Sale and Purchase Agreement as at 26 March 2010 was approximately HK\$6 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Water Oasis Group is a leading skin-care and beauty groups with exclusive distribution rights for the “~H₂O+” brand skin-care products in Hong Kong, Macau, Taiwan, Singapore and Mainland China. It also distributes a French botanical beauty brand “Yves Rocher” with exclusive distributorship rights in Mainland China and a Hungarian dermatologist skin-care brand “Erno Laszlo” with exclusive distributorship rights in Hong Kong and Mainland China. Vibrant Success is an investment holding company and is wholly-owned by Water Oasis.

The Directors (including the independent non-executive directors) consider that the Acquisition represents a good opportunity for Water Oasis Group to tap into the brand ownership business. The “Glycel” brand has a long history of development and was introduced into Hong Kong for over 20 years. Currently, the “Glycel” brand registered internationally in over 60 countries and in Hong Kong. The brand also enjoys established distribution channels in Hong Kong through the six beauty salons and two concession counters currently operated as part of the Glycel Business. Apart from continuous expansion of its existing distributorship business, it is always the strategy of Water Oasis Group to develop into a brand ownership business through both self development of brand as well as through mergers and acquisition. In the long run, the Directors believe that this business could enhance the profitability of the Water Oasis Group as a whole.

With Water Oasis Group’s industry expertise and established distribution and service delivery platform, the potential for developing an international market, especially the Mainland China market, for “Glycel” as its own brand is enormous. Besides, the addition of “Glycel” to the Company’s brand portfolio will further strengthen its product offering and allows it to enhance the spectrum of its customers.

LISTING RULES IMPLICATIONS

As certain of the percentage ratios for the Acquisition calculated in accordance with the Listing Rules exceed 5% but are less than 25%, the Acquisition therefore constitutes a discloseable transaction of Water Oasis under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, terms and expressions shall have the following meanings unless the context otherwise requires:

- “Acquisition” the acquisition pursuant to the terms of the Sale and Purchase Agreement;
- “Agreed Operating Costs” operating costs of the type and not exceeding the amount per calendar month as agreed by the parties and any other operating costs as may be approved in writing by the Purchaser;
- “Assumed Contracts” all unexpired Beauty Services Packages, maintenance service contracts, website hosting service and MIS service contracts which were to be supplied in connection with the Glycel Business;
- “Beauty Services Packages” contracts pursuant to which a customer pre-pays a lump sum which is to be applied in and towards specified beauty and personal care services that may from time to time be provided to that customer thereafter which have not expired and services under which have not been fully utilised by the relevant customers;
- “Board” the board of Directors;
- “Cash Consideration” the cash consideration for the Acquisition, the details of which are described in the paragraph headed “Cash Consideration”;
- “Completion” completion of the Acquisition pursuant to the terms of the Sale and Purchase Agreement;

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| “Director(s)” | the director(s) of Water Oasis; |
| “GAAP” | generally accepted accounting practices; |
| “GLS” | Glycel Laboratoire SA, a company incorporated in Neuchâtel, Switzerland and wholly-owned by PSL; |
| “Glycel Business” | the business agreed to be transferred to Vibrant Success, further information relating to which is set out in the paragraphs headed “Additional Information on the Business and Assets being Acquired”; |
| “Glycel Beauty” | Glycel Beauty Services Co., Ltd., a company incorporated in Hong Kong which is wholly-owned by Glycel Holdings; |
| “Glycel HK” | Glycel (Hong Kong) Co., Ltd., a company incorporated in Hong Kong which is wholly-owned by Glycel Holdings; |
| “Glycel Holdings” | Glycel Group Holdings Ltd., a company incorporated in Hong Kong which is 90% and 10% legally and beneficially owned by Mr. Chu and his daughter respectively; |
| “Guarantors” | Mr. Chu and Glycel Holdings; |
| “HK\$” | Hong Kong Dollars, the lawful currency of Hong Kong; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China; |
| “LGS” | Laboratoire Glycel Societe Anonyme, a company incorporated in Vaduz, Liechtenstein which is wholly-owned by PSL; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Mr. Chu” | Mr. Chu Hon Cheong; |
| “PSL” | Progress Success Limited, a company incorporated in the British Virgin Islands which is wholly-owned by Mr. Chu; |

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| “Purchaser” or “Vibrant Success” | Vibrant Success Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of Water Oasis; |
| “Sale and Purchase Agreement” | the sale and purchase agreement dated 15 April 2010 entered into between Vibrant Success, the Vendors and the Guarantors; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Trademarks” | “GLYCEL” and related trademarks; |
| “Unutilised Value” | the amount that is or should be recognised as being the unutilised value of those Beauty Services Packages in accordance with Hong Kong Financial Reporting Standards in the financial statements of Glycel Beauty as at the date of the Sale and Purchase Agreement; |
| “Vendors” | Glycel HK, Glycel Beauty and Mr. Chu; |
| “Water Oasis” | Water Oasis Group Limited, a company incorporated in the Cayman Islands with limited liability whose Shares are listed on the Main Board of the Stock Exchange (stock code: 1161); and |
| “Water Oasis Group” | Water Oasis and its subsidiaries. |

By Order of the Board
WATER OASIS GROUP LIMITED
YU LAI SI

Executive Director and Chief Executive Officer

Hong Kong, 15 April 2010

As at the date of this announcement, the executive directors of Water Oasis 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 Water Oasis are Wong Lung Tak, Patrick, J.P., Wong Chun Nam and Wong Chi Keung.