

**IN THE MATTER OF THE LISTED SECURITIES OF  
WATER OASIS GROUP LIMITED  
(STOCK CODE 1161)**

**NOTICE TO THE MARKET MISCONDUCT TRIBUNAL  
PURSUANT TO SECTION 252(2) AND SCHEDULE 9 OF THE  
SECURITIES AND FUTURES ORDINANCE CAP.571  
("THE ORDINANCE")**

Whereas it appears to the Securities and Futures Commission that market misconduct within the meaning of section 270 ("**Insider Dealing**") of Part XIII of the Ordinance has or may have taken place arising out of the dealings in the securities of Water Oasis Group Limited (Stock Code 1161) (the "**Company**"), the Market Misconduct Tribunal is hereby required to conduct proceedings and determine:-

- (a) whether any market misconduct in the nature of insider dealing or otherwise has taken place;
- (b) the identity of any person who has engaged in the market misconduct found to have been perpetrated; and
- (c) the amount of any profit gained or loss avoided as a result of the market misconduct found to have been perpetrated.

**Person suspected to have engaged in market misconduct activities**

Ms Yu Lai Si Salina ("**Ms Yu**")

**Statement for institution of proceedings**

- 1. At all material times prior to 6 July 2012, Ms Yu was an Executive director and the Chief Executive Officer of the Company and a substantial shareholder of the Company.
- 2. As at 19 January 2012, Ms Yu held 167,683,760 shares in the Company, representing 21.94% of the issued share capital of the Company, of which:-
  - (i) 1.57 million shares were held in her securities account at Hang Seng Bank Limited;
  - (ii) 4.78 million shares were held in her securities account at Tung Shing Securities (Brokers) Limited; and
  - (iii) the remaining shares were held in physical share certificates.

### Termination of the Company's exclusive distributorship

3. Since 30 November 2008, the Company had been the exclusive distributor of H2O Plus LLC's ("H2O") skin care products in Mainland China and Taiwan. The Company was also an exclusive distributor of the same products in Hong Kong, Macau, and Singapore.
4. As at 30 September 2011, the Company operated a total of 307 H2O retail outlets comprising 17 in Hong Kong, 1 in Macau, 274 in Mainland China, 14 in Taiwan and 1 in Singapore. The H2O business was a main contributor to the Company's turnover. For the year ended 30 September 2011, net profit from H2O's operations in Mainland China and Taiwan amounted to a total of HK\$17.7M, or approximately 21.82% of the Company's total net profit of HK\$81.1M (the specific contribution of H2O's operations to the Company's net profit in these two sectors for this financial year was known to the Board, including Ms Yu, but not by the general public prior to the Announcement).
5. On 20 January 2012 between around 10:02am and 10:25am, Mr Bob Seidl ("**Mr Seidl**"), the President and Chief Executive Officer of H2O, held a telephone conference ("**the Telephone Conference**") with senior management of the Company namely Ms Yu, Mr Henry Au (the Company's Chief Financial Officer) ("**Mr Au**") and Mr Yu Kam Shui Erastus (executive director of the Company and elder brother of Ms Yu) ("**Mr Yu**").
6. During the Telephone Conference, Mr Seidl informed Ms Yu that H2O would terminate the Company's exclusive distributorship in H2O's products in Mainland China and Taiwan with immediate effect due to the Company's breaches of the Mainland China and Taiwan distributorship agreements ("**the Termination**").
7. At around 12:13pm on the same day, Mr Seidl sent an email attaching a covering letter and two termination notices to Ms Yu. The two termination notices terminated *inter alia* the exclusive distributorship in Mainland China and Taiwan with immediate effect.
8. At 10:13pm on the same day, the Company announced *inter alia* the termination of the exclusive distributorship of H2O's products in Mainland China and Taiwan ("**the Announcement**"). It was stated in the Announcement that H2O's operation in Mainland China and Taiwan contributed to approximately 21.8% of the Company's audited consolidated net profits for the year ended on 30 September 2011.
9. Prior to the Announcement, there was no publicly available information regarding the Termination or the contribution of H2O's operations in Mainland China and Taiwan to the net profit of the Company.

10. On 26 January 2012, the first trading day after the publication of the Announcement, the price of the Company's shares dropped by 14.08% to close at HK\$1.22. On the same day, the Hang Seng Index rose 329 points (1.64%) to 20,439.
11. The Termination and the significance of the contribution of H2O's operations in Mainland China and Taiwan to the net profit of the Company, was not generally known to persons who were accustomed or would be likely to deal in the shares of the Company but which would if it were generally known to them be likely to materially affect the Company's share price.

### **Dealings in shares of the Company by Ms Yu**

12. Approximately 20 minutes after the Telephone Conference, at around 10:46am on 20 January 2012, Ms Yu instructed her relationship manager at Hang Seng Private Banking, Ms Lucinda Cheung ("**Ms Cheung**"), to sell all of her 1.57 million shares in the Company held in her account at Hang Seng Bank.
13. The record of the telephone conversation between Ms Yu and Ms Cheung (in Chinese) revealed the following:-
  - (i) Ms Cheung specifically asked Ms Yu if there was any special news in relation to the Company.
  - (ii) Ms Yu denied having any special news and stated that "we abide by rules" (in Chinese: "我哋好守規矩").
  - (iii) Ms Cheung reminded Ms Yu that her average price of acquisition of her shares at Hang Seng Bank was HK\$0.832 and that the share price of the Company was then trading at around HK\$1.44 to HK\$1.45.
  - (iv) Ms Cheung also reminded Ms Yu that the trading of the Company's shares was not active compared with the quantity of shares Ms Yu was selling.
  - (v) Ms Yu instructed Ms Cheung to sell all of her shares so long as there was a profit. Upon request by Ms Cheung for a specific minimum price, Ms Yu indicated that she was willing to dispose of her shares at as low as HK\$1.00 per share.
14. By around 11:10 am on the same day, all of Ms Yu's 1.57 million shares were sold at an average price of around HK\$1.4.

15. By reason of the above, Ms Yu as a person connected with the Company having information about the Termination and the contribution of H2O's operations in Mainland China and Taiwan to the net profit of the Company, which she knew was relevant information in relation to the Company, dealt with the shares of the Company by selling them prior to the Announcement.
16. Accordingly, Ms Yu engaged or may have engaged in market misconduct contrary to section 270(1)(a) of the Ordinance.
17. Consent from the Secretary for Justice for the institution of these Market Misconduct Tribunal Proceedings pursuant to section 252A(1) of the Ordinance was obtained on 25 April 2014.

Dated this 8<sup>th</sup> day of August 2014

*Securities and Futures Commission*  
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