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**SAU SAN TONG HOLDINGS LIMITED**

**修身堂控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8200)**

- (1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;  
(2) PROPOSED OPEN OFFER ON THE BASIS OF  
ONE OFFER SHARE FOR EVERY ONE SHARE HELD ON  
THE RECORD DATE AT HK\$0.10 PER OFFER SHARE;  
(3) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER;  
AND  
(4) CLOSURE OF REGISTER OF MEMBERS**

**Financial adviser to the Company**



**Underwriter of the Open Offer**



**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



**PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

As at the date of this announcement, the authorised share capital of the Company is HK\$20,000,000 divided into 2,000,000,000 Shares, of which 1,821,135,954 Shares have been allotted and issued as fully paid or credited as fully paid.

\* For purpose of identification only

In order to facilitate the proposed Open Offer, to accommodate the future expansion and growth of the Group and to provide the Company with greater flexibility for future expansion in the share capital of the Company, the Directors propose that the authorised share capital of the Company will be increased from HK\$20,000,000 divided into 2,000,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of 8,000,000,000 additional Shares, which will, upon issue and being fully paid, rank *pari passu* in all respects with the Shares in issue.

The Increase in Authorised Share Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM.

### **PROPOSED OPEN OFFER**

Subject to the Increase in Authorised Share Capital becoming effective, the Company proposes to raise not less than approximately HK\$182.1 million (before expenses) and not more than approximately HK\$185.1 million (before expenses), by way of an open offer of not less than 1,821,135,954 Offer Shares and not more than 1,850,955,954 Offer Shares at a subscription price of HK\$0.10 per Offer Share on the basis of one (1) Offer Share for every one (1) Share held on the Record Date.

The net proceeds from the Open Offer (after deducting the estimated expenses) are estimated to be not less than approximately HK\$174.9 million and not more than approximately HK\$177.8 million. The Company intends to apply net proceeds from the Open Offer as to (i) approximately HK\$50.0 million for the development of the new business segment of investment in securities; (ii) approximately HK\$40.0 million for the development of the new business segment of money lending; (iii) approximately HK\$20.0 million for funding an acquisition of a property; (iv) approximately HK\$20.0 million for renovation of office and shops; (v) approximately HK\$20.0 million for the development of e-commerce; and (vi) the remaining balance for general working capital for existing businesses of the Group. The estimated net price per Offer Share after deducting the related expenses of the Open Offer will be approximately HK\$0.096.

The Open Offer will only be available to the Qualifying Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders and the Prospectus, for information only, to the Excluded Shareholders. To qualify for the Open Offer, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and must be a Qualifying Shareholder. In order to be registered as members of the Company at the close of business on the Record Date, investors must lodge any transfers of Shares (together with the relevant share certificates) with the Registrar for registration no later than 4:00 p.m. on Thursday, 13 August 2015.

The Open Offer will be fully underwritten by the Underwriter. Details of the underwriting arrangement are set out in the paragraph headed “Underwriting Agreement” below in this announcement.

## **GEM LISTING RULES IMPLICATIONS**

In accordance with Rule 10.39(1) of the GEM Listing Rules, the Open Offer must be made conditional on approval by the Shareholders in general meeting by a resolution on which any controlling shareholders of the Company and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Open Offer. Since the Company has no controlling shareholder as at the date of this announcement, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Open Offer in accordance with Rule 10.39(1) of the GEM Listing Rules. As at the date of this announcement, the Company does not have any controlling shareholder, whilst Dr. Cheung and Biochem Investments (a company wholly owned by Dr. Cheung), in aggregate, hold 286,618,800 Shares and Mr. Cheung holds 2,800,000 Shares. Each of Dr. Cheung and Mr. Cheung is an executive Director.

## **APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, comprising all of the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Open Offer. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

## **GENERAL**

The EGM will be convened and held for the Shareholders including the Independent Shareholders (as the case may be), to consider, and if thought fit, to approve, among other things, the Increase in Authorised Share Capital and the Open Offer. The Circular containing, among other things, (i) further details about the Increase in Authorised Share Capital and the Open Offer; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Open Offer and the transactions contemplated thereunder; (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders on the Open Offer and the transactions contemplated thereunder; and (iv) the notice convening the EGM, is expected to be despatched to the Shareholders on or before Thursday, 23 July 2015.

## **WARNING OF THE RISKS OF DEALINGS IN THE SHARES**

**Shareholders and potential investors should note that the Open Offer is conditional upon, among other conditions, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Open Offer may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealings in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

**Shareholders should note that the Shares will be dealt in on an ex-entitlement basis commencing from Wednesday, 12 August 2015 and that dealings in the Shares will take place while the conditions to which the Underwriting Agreement is subject to remain unfulfilled. Any Shareholder or other person dealings in the Shares up to the date on which all conditions to which the Open Offer are subject are fulfilled (which is expected to be at 4:00 p.m. on Wednesday, 9 September 2015), will accordingly bear the risk that the Open Offer not becoming unconditional and may not proceed. Any Shareholder or other person contemplating to sell or purchase any Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.**

**Overseas Shareholders should note that they may or may not be entitled to the Open Offer. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.**

## **PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

As at the date of this announcement, the authorised share capital of the Company is HK\$20,000,000 divided into 2,000,000,000 Shares, of which 1,821,135,954 Shares have been allotted and issued as fully paid or credited as fully paid.

In order to facilitate the proposed Open Offer, to accommodate the future expansion and growth of the Group and to provide the Company with greater flexibility for future expansion in the share capital of the Company, the Directors propose that the authorised share capital of the Company will be increased from HK\$20,000,000 divided into 2,000,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of 8,000,000,000 additional Shares, which will, upon issue and being fully paid, rank *pari passu* in all respects with the Shares in issue.

The Increase in Authorised Share Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM.

The Board is of the view that the Increase in Authorised Share Capital will provide flexibility to the Company for future expansion in the share capital of the Company, and is therefore in the interest of the Company and the Shareholders taken as a whole.

As at the date of this announcement, the Board has no present intention to issue any part of the proposed increased authorised share capital of the Company other than the issue of the Shares upon (i) the exercise of the options granted and may be granted under the Share Option Scheme; (ii) the exercise of the conversion rights attached to the Convertible Note; and (iii) the proposed issue of the Offer Shares (subject to, among other matters, the approval of the Independent Shareholders at the EGM). Further announcement(s) will be made by the Company in accordance with the GEM Listing Rules if it proposes to issue any further Shares in the future.

## PROPOSED OPEN OFFER

Basis of the Open Offer:	One (1) Offer Share for every one (1) Share held on the Record Date
Subscription Price:	HK\$0.10 per Offer Share
Number of Shares in issue as at the date of this announcement:	1,821,135,954 Shares
Number of Offer Shares:	Not less than 1,821,135,954 Offer Shares <sup>(Note 1)</sup> and not more than 1,850,955,954 Offer Shares <sup>(Note 2)</sup>
	The aggregate nominal value of the Offer Shares will be not less than HK\$18,211,359.54 <sup>(Note 1)</sup> and not more than HK\$18,509,559.54 <sup>(Note 2)</sup>
Enlarged issued share capital of the Company immediately upon completion of the Open Offer:	Not less than HK\$36,422,719.08 comprising 3,642,271,908 Shares <sup>(Note 1)</sup> and not more than HK\$37,019,119.08 comprising 3,701,911,908 Shares <sup>(Note 2)</sup>
Underwriter:	CNI Securities Group Limited (中國北方證券集團有限公司)
Funds proposed to be raised before expenses:	Not less than approximately HK\$182.1 million <sup>(Note 1)</sup> and not more than approximately HK\$185.1 million <sup>(Note 2)</sup>

### Notes:

- (1) Calculated and based on the assumption that there is no change to the issued share capital of the Company from the date of this announcement up to and including the Record Date.
- (2) Calculated and based on the assumption that there is no change to the issued share capital of the Company other than as a result of the issue of Shares upon exercise of the Outstanding Options (other than the Director Options) in full from the date of this announcement up to and including the Record Date.

As at the date of this announcement,

- (i) there are Outstanding Options which entitle the holders thereof to subscribe for an aggregate of 34,486,666 Shares, of which Outstanding Options with subscription rights attached thereto in respect of 4,666,666 Shares are held by Mr. Cheung. Pursuant to Mr. Cheung's Undertaking, Mr. Cheung has irrevocably and unconditionally undertaken to the Company and the Underwriter that he will not exercise any of the subscription rights attached to the Director

Options from the date thereof up to and including the Record Date. Assuming the subscription rights attached to the Outstanding Options (other than the Director Options) are exercised in full on or before the Record Date, a maximum number of 1,850,955,954 Offer Shares will be issued (i.e. with an additional 29,820,000 Offer Shares); and

- (ii) the Company has in issue the Convertible Note with the outstanding principal amount of HK\$20,000,000 which is convertible into 145,985,401 Shares at the prevailing conversion price. Pursuant to the Dr. Cheung's Undertaking, Dr. Cheung has irrevocably and unconditionally undertaken to the Company and the Underwriter that she will not exercise any of the conversion rights attached to the Convertible Note from the date thereof up to and including the Record Date, none of the Convertible Note is exercisable on or before the Record Date.

Save for the above, as at the date of this announcement, the Board has not received any information or other undertakings from any Shareholders of their intention to take up or not to take up the securities of the Company to be offered to them under the Open Offer.

Save for the Outstanding Options and the Convertible Note, the Company has no other derivatives, outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into any Shares as at the date of this announcement.

The Open Offer is fully underwritten by the Underwriter who shall ensure that the Company will maintain the minimum public float requirement in compliance with Rule 11.23(7) of the GEM Listing Rules when the Underwriter is called upon to subscribe for or procure subscribers of the Underwritten Shares.

### **The Offer Shares**

Assuming that there is no change to the issued share capital of the Company from the date of this announcement up to and including the Record Date, a total number of 1,821,135,954 Offer Shares will be allotted and issued upon completion of the Open Offer, representing:

- (i) 100.00% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) 50.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares.

Assuming that there is no change to the issued share capital of the Company other than as a result of the issue of Shares upon exercise of the Outstanding Options (other than the Director Options) in full from the date of this announcement up to and including the Record Date, not more than 1,850,955,954 Offer Shares will be allotted and issued upon completion of the Open Offer, such maximum number of Offer Shares represents:

- (i) approximately 101.64% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) 50.00% of the issued share capital of the Company as enlarged by the issue of the Offer Shares and the issue of Shares upon exercise of the Outstanding Options (other than the Director Options) in full.

### **Subscription Price**

The Subscription Price of HK\$0.10 per Offer Share will be payable in full upon a Qualifying Shareholder accepting his/her/its allotment under the Open Offer. The Subscription Price represents:

- (a) a discount of approximately 12.28% to the closing price of HK\$0.114 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 31.32% to the average closing price of HK\$0.1456 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (c) a discount of approximately 40.41% to the average closing price of HK\$0.1678 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day; and
- (d) a discount of approximately 6.54% to the theoretical ex-entitlement price of HK\$0.107 per Share, based on the closing price of HK\$0.114 per Share as quoted on the Stock Exchange on the Last Trading Day.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to, among other things, the market price of the Shares under the prevailing market conditions, thin liquidity of the Shares, historical financial performance and financial position of the Group.

Apart from the aforesaid, in coming up with the current subscription ratio for the Open Offer and the Subscription Price, the Company has also considered the following factors:

- (i) the funding requirements of the Company having regard to the need for setting a Subscription Price at a level acceptable to the Underwriter and all of the Qualifying Shareholders;

- (ii) during the negotiation of the Underwriting Agreement, it has been indicated to the Company that a Subscription Price at a discount to the historical trading prices of the Shares is necessary to induce the Underwriter to provide underwriting services for the Open Offer, which is an essential part of the Open Offer;
- (iii) in view of the uncertainties in the financial market in Hong Kong stemming from the fluctuating market sentiment, capital flow, trend of interest rate, volatility in money supply in different major economies and different economic decisions made by different countries, the Directors (excluding the independent non-executive Directors who will form their views after considering the advice of Gram Capital) consider it will be difficult to attract the Qualifying Shareholders to reinvest in the Company through the Open Offer if the Subscription Price was not set at a discount to the historical trading prices of the Shares;
- (iv) a discount to the historical trading prices of the Shares is necessary to encourage the Qualifying Shareholders (in the absence of an excess application arrangement) to participate in the Open Offer and, accordingly, maintain their pro-rata shareholding in the Company;
- (v) the inherent dilutive nature of an open offer in general if the Qualifying Shareholders do not take up their entitlements under the Open Offer in full; and
- (vi) the Open Offer will be subject to Independent Shareholders' approval, which means that the Independent Shareholders will have a right to disapprove the Open Offer.

Based on the foregoing, the Directors (excluding the independent non-executive Directors who will form their views after considering the advice of Gram Capital) consider that the terms of the Open Offer (including the subscription ratio and the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Conditions of the Open Offer**

The Open Offer is conditional upon the fulfillment of the following conditions:

- (a) the Increase in Authorised Share Capital becoming effective by the Record Date;
- (b) the passing by the Independent Shareholders at the EGM of an ordinary resolution to approve the Open Offer and the transactions contemplated under the Underwriting Agreement by no later than the Prospectus Posting Date;
- (c) the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, all the Offer Shares (in their fully-paid forms) by no later than the Prospectus Posting Date and the Stock Exchange not having withdrawn or revoked such grant of listing and permission on or before the Latest Time for Termination;

- (d) the filing and registration of all documents relating to the Open Offer, which are required to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance by no later than the Prospectus Posting Date;
- (e) the posting of the Prospectus Documents to the Qualifying Shareholders by the Prospectus Posting Date;
- (f) the delivery of the duly executed Dr. Cheung's Undertaking and Mr. Cheung's Undertaking to the Company and the Underwriter on or before the date of the Underwriting Agreement;
- (g) compliance with and performance of all undertakings and obligations of the signatory of each of Dr. Cheung's Undertaking and Mr. Cheung's Undertaking by the Latest Time for Acceptance; and
- (h) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination.

None of the above conditions is capable of being waived by the Company or the Underwriter.

If the above conditions are not fulfilled by the respective date set out therein (or such other time and/or date(s) as the Underwriter may agree with the Company in writing), the Underwriting Agreement shall terminate and (save for, among others, any rights or obligations which may accrue under the Underwriting Agreement prior to such termination) no party to the Underwriting Agreement will have any claim against any other party for costs, damages, compensation or otherwise, and the Open Offer will not proceed.

### **Status of the Offer Shares**

The Offer Shares, when allotted, issued and fully-paid, will rank *pari passu* with the Shares then in issue in all respects. Holders of the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid with a record date which falls on or after the date of allotment and issue of the Offer Shares. Dealings in the Offer Shares, which are registered in the branch register of members of the Company in Hong Kong, will be subject to payment of stamp duty and other applicable fees and charges in Hong Kong.

### **Qualifying Shareholders**

The Open Offer will only be available to the Qualifying Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders and the Prospectus, for information only, to the Excluded Shareholders.

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and must be a Qualifying Shareholder.

In order to be registered as a member of the Company at the close of business on the Record Date, investors must lodge any transfers of the Shares (together with the relevant share certificates) with the Registrar for registration no later than 4:00 p.m. on Thursday, 13 August 2015.

### **Closure of register of members**

To determine the entitlements to the Open Offer, the Company's register of members will be closed from Friday, 14 August 2015 to Thursday, 20 August 2015 (both dates inclusive). No transfer of Shares will be registered during this period.

### **Rights of Overseas Shareholders**

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders on the Record Date, if any, may not be eligible to take part in the Open Offer as explained below.

In compliance with Rule 17.41 of the GEM Listing Rules, the Company will make enquiries regarding the feasibility of extending the Open Offer to the Overseas Shareholders (if any). If, based on legal advice, the Directors consider that it is necessary or expedient not to offer the Offer Shares to the Overseas Shareholders (if any) on account either of the legal restrictions under the laws of the relevant places or the requirements of the relevant regulatory body or stock exchange in those places, the Open Offer will not be available to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus containing, among other things, details of the Open Offer, to be despatched to the Qualifying Shareholders on the Prospectus Posting Date. The Company will send copies of the Prospectus (without the Application Form(s)) to the Excluded Shareholders (if any) for their information only.

**Overseas Shareholders should note that they may or may not be entitled to the Open Offer. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.**

### **No application for excess Offer Shares**

No Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess to his/ her/ its entitlement. Any Offer Shares not taken up by the Qualifying Shareholders and (if any) the Offer Shares to which the Excluded Shareholders would otherwise have been entitled under the Open Offer, will not be available for subscription by other Qualifying Shareholders by way of excess application and will be taken up by the Underwriter pursuant to the terms and conditions of the Underwriting Agreement.

The Directors hold the view that the Open Offer allows the Qualifying Shareholders to maintain their respective pro-rata shareholding in the Company and to participate in the future growth and development of the Group. After arm's length negotiations with the Underwriter, and taking into account that the related administration costs would be lowered in the absence of excess applications, the Directors consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole not to offer any excess application to the Qualifying Shareholders.

### **Fractions of Offer Shares**

No fractional entitlements to the Offer Shares will arise under the Open Offer.

### **Share certificates and refund cheques for the Offer Shares**

Subject to the fulfilment of the conditions of the Open Offer, share certificates for all Offer Shares are expected to be posted to the Qualifying Shareholders who have accepted and paid for the Offer Shares by ordinary post at their own risk on or before Wednesday, 16 September 2015. If the Open Offer is terminated, refund cheques are expected to be posted by ordinary post to the applicants at their own risk on or before Wednesday, 16 September 2015.

### **Application for listing of the Offer Shares**

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

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange as well as the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

All necessary arrangements will be made to enable the Offer Shares to be admitted into CCASS.

Dealings in the Offer Shares which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy, or any other applicable fees and charges in Hong Kong.

## **Underwriting Agreement**

Date: 7 July 2015

Underwriter: CNI Securities Group Limited (中國北方證券集團有限公司)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Underwriter and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company, its connected persons and their respective associates. As at the date of this announcement, the Underwriter and parties acting in concert with it do not hold any shares, convertible securities, warrants or options of the Company, or any outstanding derivative in respect of securities of the Company.

Number of Underwritten Shares: The Underwriter has conditionally agreed to underwrite the Underwritten Shares (being not less than 1,821,135,954 Offer Shares and not more than 1,850,955,954 Offer Shares) pursuant to the Underwriting Agreement

Underwriting commission: 2.5% of the aggregate Subscription Price in respect of the number of the Underwritten Shares on the Record Date

The terms of the Underwriting Agreement are agreed after arm's length negotiation between the Company and the Underwriter by reference to the existing financial position of the Group, the size of the Open Offer, the current and expected market condition and prevailing market rate. The Directors (excluding the independent non-executive Directors who will form their views after considering the advice of Gram Capital) consider that the terms of the Underwriting Agreement (including the underwriting commission) are fair and reasonable so far as the Company and the Shareholders are concerned.

The Underwriter may enter into sub-underwriting arrangement with sub-underwriter(s) or appoint any person to be sub-agent(s) on its behalf for the purpose of arranging for the subscription of the Underwritten Shares with selected subscribers with such authority and rights as the Underwriter has pursuant to its appointment under the Underwriting Agreement.

### **Conditions of the Underwriting Agreement**

The conditions of the Underwriting Agreement have been set out in the section headed "Proposed Open Offer – Conditions of the Open Offer" above.

## Termination and Rescission of the Underwriting Agreement

The Underwriter may terminate the Underwriting Agreement by notice in writing given to the Company at any time prior to the Latest Time for Termination, if:

- (1) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
  - (a) the introduction of any new regulation or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Underwriter, materially and adversely affect the business or the financial or trading position of the Group as a whole or is materially adverse in the context of the Open Offer; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement), of a political, military, financial, economic or other nature (whether or not ejusdem generic with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter, materially and adversely affect the business or the financial or trading position of the Group as a whole; or
  - (c) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
  - (d) the imposition of any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise; or
  - (e) any suspension in the trading of the Shares on the Stock Exchange for a period or more than 20 consecutive Business Days after the date of the Underwriting Agreement, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer; or
- (2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions which includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Open Offer; or

- (3) the Prospectus in connection with the Open Offer when published containing information (either as to the condition of the Group or as to its compliance with any laws or the GEM Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriter be material to the Group as a whole and likely to affect materially and adversely the success of the Open Offer or might cause a prudent investor not to apply for its assured entitlements of Offer Shares under the Open Offer.

The Underwriter may also rescind the Underwriting Agreement by notice in writing to the Company at any time prior to the Latest Time for Termination, if prior to the Latest Time for Termination:

- (1) any material breach of any of the warranties or undertakings of the Company contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (2) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination, which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the representations, warranties and undertakings given by the Company under the Underwriting Agreement untrue or incorrect in any material respect, comes to the knowledge of the Underwriter.

In the event that the Underwriter terminates or rescind the Underwriting Agreement prior to the Latest Time for Termination, all obligations of each of the parties to the Underwriting Agreement (save for the obligation of the Company to pay legal fees and other reasonable out of pocket expenses of the Underwriter in respect of the Open Offer subject to a cap of HK\$10,000 and those provisions in the Underwriting Agreement in relation to certain miscellaneous matters) shall cease and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Underwriting Agreement except for, among others, any antecedent breach of any obligation under the Underwriting Agreement.

## EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structures of the Company (for illustration purpose only) (i) as at the date of this announcement; and (ii) immediately after completion of the Open Offer:

### Scenario 1:

Assuming that there is no change to the issued share capital of the Company from the date of this announcement up to and including the Record Date:

Shareholders	As at the date of this announcement and up to the Record Date		Immediately after completion of the Open Offer			
			Assuming all the Offer Shares are subscribed for by the Qualifying Shareholders and there is no Excluded Shareholders		Assuming the Underwriter takes up all the Offer Shares	
			No. of Shares	Approximate %	No. of Shares	Approximate %
Dr. Cheung	161,290,800	8.86	322,581,600	8.86	161,290,800	4.43
Biochem Investments (Note 2)	125,328,000	6.88	250,656,000	6.88	125,328,000	3.44
Mr. Cheung (Note 3)	2,800,000	0.15	5,600,000	0.15	2,800,000	0.08
<i>Subtotal</i>	<i>289,418,800</i>	<i>15.89</i>	<i>578,837,600</i>	<i>15.89</i>	<i>289,418,800</i>	<i>7.95</i>
Other public Shareholders	1,531,717,154	84.11	3,063,434,308	84.11	1,531,717,154	42.05
Underwriter, sub- underwriter(s) and/or subscribers procured by any of them (Note 4)	—	—	—	—	1,821,135,954	50.00
	<u>1,821,135,954</u>	<u>100.00</u>	<u>3,642,271,908</u>	<u>100.00</u>	<u>3,642,271,908</u>	<u>100.00</u>

## Scenario 2:

Assuming that there is no change to the issued share capital of the Company other than as a result of the issue of Shares upon exercise of the Outstanding Options (other than the Director Options) in full from the date of this announcement up to and including the Record Date:

Shareholders	As at the date of this announcement and up to the Record Date		Immediately after the Outstanding Options (other than the Director Options) are exercised in full prior to the Record Date		Immediately after completion of the Open Offer			
	No. of Shares	Approximate %	No. of Shares	Approximate %	Assuming all the Offer Shares are subscribed for by the Qualifying Shareholders and there is no Excluded Shareholders		Assuming the Underwriter takes up all the Offer Shares	
					No. of Shares	Approximate %	No. of Shares	Approximate %
Dr. Cheung	161,290,800	8.86	161,290,800	8.71	322,581,600	8.71	161,290,800	4.36
Biochem Investments (Note 2)	125,328,000	6.88	125,328,000	6.77	250,656,000	6.77	125,328,000	3.39
Mr. Cheung (Note 3)	2,800,000	0.15	2,800,000	0.15	5,600,000	0.15	2,800,000	0.08
<i>Subtotal</i>	<i>289,418,800</i>	<i>15.89</i>	<i>289,418,800</i>	<i>15.64</i>	<i>578,837,600</i>	<i>15.64</i>	<i>289,418,800</i>	<i>7.83</i>
Other public Shareholders and holders of the Outstanding Options (other than the Directors Options)	1,531,717,154	84.11	1,561,537,154	84.36	3,123,074,308	84.36	1,561,537,154	42.17
Underwriter, sub-underwriter(s) and subscribers procured by any of them (Note 4)	—	—	—	—	—	—	1,850,955,954	50.00
	<u>1,821,135,954</u>	<u>100.00</u>	<u>1,850,955,954</u>	<u>100.00</u>	<u>3,701,911,908</u>	<u>100.00</u>	<u>3,701,911,908</u>	<u>100.00</u>

*Notes:*

1. Certain percentage figures included in the above tables have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.
2. The entire issued share capital of Biochem Investments is wholly owned by Dr. Cheung.
3. Mr. Cheung is an executive Director and the elder brother of Dr. Cheung.
4. Pursuant to the Underwriting Agreement, in the event of the Underwriter being called upon to subscribe for or procure subscribers of the Untaken Shares, the Underwriter, among other things,
  - (i) shall not subscribe, for its own account, for such number of Untaken Shares which will result in it and parties acting in concert with it holding 29.9% or more of the voting rights of the Company immediately upon the allotment and issue of the Offer Shares;
  - (ii) shall use all reasonable endeavours to procure that each of the subscribers of the Untaken Shares (including any direct and indirect sub-underwriter), shall be third parties independent of, not acting in concert with and not connected with any connected persons or core connected persons of the Company and their respective associates or close associates;
  - (iii) shall ensure that none of the persons (including any direct and indirect sub-underwriters) to be procured by or on behalf of it to subscribe for the Underwritten Shares will become a substantial shareholder of the Company (holding 10% or more of the voting rights of the Company) immediately upon the allotment and issue of the Offer Shares and such persons, together with parties acting in concert with them, shall not be holding 29.9% or more of the voting rights of the Company immediately upon the allotment and issue of the Offer Shares;
  - (iv) shall and shall cause the sub-underwriters (if any) to procure independent subscribers and/or placees to take up such number of Untaken Shares as necessary and agrees to take such appropriate steps as may be reasonably required to maintain the minimum public float (within the meaning of the GEM Listing Rules) for the Shares in compliance with Rule 11.23(7) of the GEM Listing Rules in the event that there is insufficient public float of the Company immediately upon completion of the Open Offer solely because of the Underwriter's performance of its obligations under the Underwriting Agreement; and
  - (v) shall use all reasonable endeavours to procure that each of the direct and indirect sub-underwriters, shall be third party independent of, not acting in concert with and not connected with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries and their respective associates.

## REASONS FOR THE OPEN OFFER AND THE USE OF PROCEEDS

The Company is an investment holding company and the Group is principally engaged in the provision of beauty and slimming services from slimming centres, distribution sales of cosmetic and skin care products, sale of other health and beauty products and investment in securities.

The Board has been actively exploring business opportunities in order to diversify the Group's existing businesses and expand into new business. The Group has commenced a new business segment of investment in securities. In addition, the Board plans to continue to strengthen the Group's presence in the industry of beauty and slimming services by renovating its offices and shops to align with its high-end business focus and continue to develop its online shops. The Board considers these businesses and investments are capital intensive and is seeking to meet the capital requirements by conducting the Open Offer. In addition, the Company intends to (i) strengthen its capital base; (ii) provide sufficient surplus capital to support the development of existing and future businesses of the Group; (iii) provide funding for any potential investment or growth opportunities; and (iv) to strengthen its working capital.

The gross proceeds from the Open Offer will be not less than approximately HK\$182.1 million and not more than approximately HK\$185.1 million. The net proceeds from the Open Offer (after deducting the related underwriting commission, professional fees and other estimated expenses) are estimated to be not less than approximately HK\$174.9 million and not more than approximately HK\$177.8 million which are intended to be applied in the following manner:

- (i) approximately HK\$50.0 million for the development of the new business segment of investment in securities;
- (ii) approximately HK\$40.0 million for the development of the new business segment of money lending;
- (iii) approximately HK\$20.0 million for the funding for acquisition of a property;
- (iv) approximately HK\$20.0 million for renovation of offices and shops;
- (v) approximately HK\$20.0 million for the development of e-commerce; and
- (vi) remaining balance for general working capital for existing businesses of the Group.

As at the date of this announcement, save for the Open Offer, the Company does not have any immediate plan and is not contemplating to conduct further fund raising exercise for funding its existing operations or the proposed new business activities as described above in the next 12 months from the date of this announcement.

## **Development of the new business segment of investment in securities**

As disclosed in the announcement of the Company dated 24 March 2015, the Group has commenced a new business segment of investment in securities, which may include (i) long-term and short-term investments in listed securities in Hong Kong and other recognised securities markets in the overseas; and (ii) wealth management products purchased from banks and other financial institutions (“**Securities Investment Business**”). The Board is of the view that the Securities Investment Business will diversify the income stream of the Group and broaden its revenue base. It is expected that the Securities Investment Business may also improve the capital usage efficiency of the Company and generate additional investment returns to the Company.

In considering the undertaking of the Securities Investment Business, the Board has considered, including but not limited to, the following factors: (i) the quantitative easing programme announced by European Central Bank (“**ECB**”) in January 2015 of which ECB commits monthly purchase of 60 billion Euros of asset-backed securities until at least September 2016 for supporting investment and consumption; (ii) economic growth rate of the PRC of approximately 7.4% in 2014; (iii) increase in money supply in the PRC as illustrated from financial data of January 2015 as announced by the People’s Bank of China (which includes the increase in narrow and broad money as compared with last year and the increase in loans and deposits denominated in Renminbi and other foreign currencies as compared with last year); and (iv) the recent launch of the Shanghai-Hong Kong Stock Connect (“**Shanghai Connect**”) and potential development of the Shenzhen-Hong Kong Stock Connect (“**Shenzhen Connect**”) as detailed below.

In November 2014, the Shanghai Connect was launched and the market sentiment improved following an interest rate cut in the PRC. Through the Shanghai Connect, Hong Kong’s securities market is expected to benefit from this mutual market access scheme in which more capital will flow into the securities market of Hong Kong. Subsequent to the launch of the Shanghai Connect, the average daily trading volume of securities on the Stock Exchange for the first three months of 2015 was approximately HK\$86.4 billion, representing an increase of approximately 26.5% when compared with the average daily trading volume of approximately HK\$68.3 billion for the same period last year. In addition, the Hang Seng Index closed at around 24,900 at the end of March 2015, representing an increase of approximately 12.4% when compared with around 22,151 at the end of March 2014.

It is further expected that the potential launch of the Shenzhen Connect will result in additional capital inflow into the securities market of Hong Kong. Based on the above considerations and taking into account the positive signals of a good investment environment, the Directors commenced the Securities Investment Business in March 2015 in order to capture the potential benefits from the rise in the securities market.

With the development of the Securities Investment Business, the Group requires readily available funds in order to capture suitable investment opportunities in a timely fashion to provide investment return to the Group and the Shareholders. The Company estimated the capital requirement for the Securities Investment Business with reference to, among others, the size of the current investment portfolio of approximately HK\$23.1 million, the average investment amount for each investment product of approximately HK\$7.2 million, the trading performance of the investments of the Company, the business plan of the Company and the prevailing market situations. The Directors intend to gradually diversify its investments portfolio in order to reduce the relevant concentration and investment risks and the Directors are of the view that the Company should seize the opportunity to increase its available funds by means of the Open Offer to capture the investment opportunities.

With reference to the average investment amount for each investment product of approximately HK\$7.2 million and the size of the allocated net proceeds of HK\$50.0 million, the Company estimates that the Open Offer will enable the Company to expand its investment portfolio by acquiring around 7 additional investment products subject to the decision of the investment committee of the Company led by Mr. Mui Wai Sum (“**Mr. Mui**”), an executive Director. Mr. Mui has more than 7 years of experience and track record in investment in a wide range of investment products, including equity securities, mutual fund, equity-related securities and futures. Mr. Mui is also the financial columnist of several local newspapers and magazines. Mr. Mui’s proficiency in investment was recently demonstrated by the substantial gain in fair value of the financial assets of the Company of approximately HK\$86.4 million as disclosed in the annual report of the Company for the year ended 31 March 2015 (“**2015 Annual Report**”). Considering the above, the Directors are of the view that the Group has sufficient experience and resources in operating the Securities Investment Business.

### **Development of the new business segment of money lending**

The Group has continued to explore opportunities to diversify the businesses of the Group in order to enhance the income stream and continue to improve Shareholders’ return. The Group is in the process of obtaining a licence to conduct money lending business in Hong Kong through the provision of unsecured and secured loans to customers under the provisions of the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The Directors expect that with the anticipated ending of the low interest rate environment in the United States of America in the near future which may lead to the increase in the future interest rate, the Group will benefit from the development of money lending business. The Group targets corporations and individuals with needs of short-term financing of 6 months or less with loan portfolio of not more than HK\$5.0 million for each individual loan in order to maintain a quick turnaround of loan portfolio and minimize the credit risk of the Group. The Group will consider expanding the loan portfolios based on the performance of this segment in the future if appropriate. The Group intends to apply net proceeds from the Open

Offer of approximately HK\$40.0 million to the development of the money lending business segment, which is determined with reference to the target of around 8 active loan accounts to maintain a simple loan portfolio structure. The Directors consider strong cash flow and financial capability are fundamental factors for the money lending business to operate successfully. Quick turnover and the immediate availability of funding in the money lending business requires the availability of a significant amount of cash and liquidity at the beginning phase of business setup.

As at the date of this announcement, the Group's money lending business is still at its infant stage. The Group plans to leverage on the vast business connections developed by the Company since its founding in July 2000 as one of the methods to solicit initial customers for the money lending business. The Group also plans to setup a specific team for operating the money lending business and to mitigate its risk through prudent credit assessment and credit risk management policies by monitoring the value of the secured assets, where available. Based on the (i) target loan composition (small number of active loan accounts, short loan term and not more than HK\$5.0 million for each individual loan); (ii) the vast business connections developed by the Company since its founding in July 2000; and (iii) the Group's plan to setup a specific team for operating the money lending business, the Directors consider that the Group has sufficient experience and resources in operating the money lending business.

### **Funding the acquisition of a property**

As disclosed in the announcement of the Company dated 8 May 2015 ("**May Announcement**"), the Company entered into a provisional agreement with an independent third party in relation to the acquisition of a commercial property ("**Property**"). The Directors estimated that the purchase price together with the transaction costs such as stamp duty, property agent commission and legal costs will put the total costs of the Property at approximately HK\$50.0 million, of which approximately HK\$5.0 million has been paid for as deposits. After the completion of the acquisition of the Property, the Group estimates to incur approximately HK\$5.0 million for renovation and enhancement of the Property. Therefore, the Company intends to apply approximately HK\$20.0 million of the net proceeds from the Open Offer for funding part of the purchase price of the Property.

The Group intends to hold the Property for investment purpose and/or self-use as a beauty and slimming centre and will, depending on the then market circumstances, lease out all or part of the Property for rental income.

As disclosed in the May Announcement, the Company originally intended to satisfy the purchase price of the Property by a combination of internal resources of the Group and bank mortgage financing to the extent where available, which was the then available options to the Company. The Board has considered factors, among others, (i) most of the available cash of the Group has been allocated for specific purposes (details of which were disclosed in the announcement of the Company dated 17 December 2014 regarding the placing of shares under specific mandate and general mandate and the announcements of the Company dated 10 July 2014 and 25 September 2014 regarding the rights issue of the Company), such as identified acquisitions (the acquisition and capital injection

of I Pro Medical Skin Care Centre Limited, details of which were disclosed in the announcement of the Company dated 12 June 2015), potential investments and e-commerce platform development according to the business plan of the Group; (ii) the Company has been actively expanding its Securities Investment Business and other business opportunities to diversify its revenue stream which may require cash; (iii) the expected mortgage terms available to the Group; and (iv) the Company had not yet identified an appropriate underwriter upon the date of the May Announcement.

As at the date of the May Announcement, the Company intended to finance majority of the purchase price of the Property by bank mortgage and the remaining would be funded by the Group's internal resources. Subsequent to the publication of the May Announcement, the Company has approached several banks for the best mortgage financing terms on the bank mortgage of 40% of the valuation of the Property ("**Bank Mortgage**") and was offered the best interest rate of approximately 3% per annum.

With reference to the minimum interest rate of approximately 3% per annum available for the Bank Mortgage and a loan amount of approximately HK\$20.0 million, the Company is expected to incur cumulative interest payment of approximately HK\$4.8 million for the possible mortgage financing.

The Company expects that with the anticipated ending of the persistent low interest rate environment in the United States of America in the near future which may lead to the increase in the future interest rate and the Company will incur higher finance cost in the acquisition of the Property by bank financing. Therefore, the Company considers to lower the portion of the bank financing for funding the acquisition of the Property.

The Company has continuously sought ways to strengthen its capital base and enhance its financial position for future strategic investments when suitable opportunities arise and to reduce the operating and finance costs of the Company and enhance Shareholders' value. Additionally, the Directors has been exercising due and careful consideration when choosing the financing method available to the Group from time to time for the best interest of the Group. The Board has identified the Underwriter and negotiated on the terms of the Open Offer subsequent to the date of the May Announcement. Having considered that the utilisation of the net proceeds of approximately HK\$20.0 million from the Open Offer for financing part of the purchase price of the Property will reduce the interest expenses of approximately HK\$4.8 million to be incurred from bank financing and can improve the gearing position of the Group, the Directors consider the change in the means for financing part of the purchase price of the Property as disclosed in the May Announcement would be in the interest of the Company and the Shareholders as a whole.

Under the prevailing economic environment, investing in the property market in Hong Kong is a relatively prudent investment option for providing the Group with a steady income stream and for capturing capital appreciation potential. Moreover, in view of the increasing rental expenses in Hong Kong, the Directors consider that the renewal of existing rental agreements of the beauty and slimming centres may result in higher rental costs. Therefore, the Directors consider that the acquisition of the Property will provide the Group with flexibility in selection of venue for use as beauty and slimming centre for the Group's future business development.

### **General working capital for existing business of the Group**

The Board aims to strengthen its established presence and reputation in the beauty industry in Hong Kong and the PRC by continuing the building of its strong team of high caliber professionals coupled with a meticulously managed product and service portfolio.

After considering the unutilised balance of approximately HK\$8.8 million of general working capital of the Group from the proceeds of the rights issue announced on 10 July 2014 and 25 September 2014, and the net proceeds of approximately HK\$24.9 million to approximately HK\$27.8 million from the Open Offer, the Group will have not less than approximately HK\$33.7 million general working capital available for the operation and development of the Group upon completion of the Open Offer. As disclosed in the 2015 Annual Report, the total selling and distribution costs and general and administrative expenses of the Group for the year ended 31 March 2015 was approximately HK\$178.6 million. The Group considers that with the development of the new business segments of Securities Investment Business and money lending business, the Group may have to incur additional selling and distribution costs and general and administrative expenses for the development and administration of such businesses. In addition, the Group plans to continue to develop its products and services to cope with the industry development and apply the general working capital for, among others, (i) development of the product distribution, (ii) development of its franchise operation, and (iii) daily operating expenses such as marketing, employee training, research and development, office overheads, legal and professional fees and business networking expenditures incurred in conducting its beauty business.

### **Renovation of offices and shops**

The beauty, slimming and spa centres of the Group are situated in prime locations in Hong Kong and the PRC. In order to align with the shift of business focus to high-end products and services, the Board intends to consolidate the best of the professional beauty technicians and the most up-to-date modern technologies of the Group with attractive designs and plans to renovate its beauty, slimming and spa centres for improving customer experience.

The Group intends to apply net proceeds from the Open Offer of approximately HK\$20.0 million in the renovation of offices and shops, out of which (i) an aggregate of approximately HK\$11.5 million to renovate around five existing beauty, slimming and spa centres located in Hong Kong and the PRC; (ii) an aggregate of approximately HK\$7.0 million to renovate its head office and newly acquired beauty centers in Hong Kong and the PRC; and (iii) approximately HK\$1.5 million to replace its outdated machinery and equipment.

### **Development of e-commerce**

Since its launch in October 2012, BeautyU, the first online beauty and slimming service booking platform in the PRC, continued to enjoy big success in soliciting beauty and slimming service providers to join, and attracting retail customers to make bookings online in accordance with their own needs. BeautyU also allows customers to enjoy shopping online at their own pace. In view of the rapid growing population of internet users in the PRC, the management of the Company are of the view that e-commerce is the inevitable direction for development of this business. The Group intends to continue to invest in enhancing the e-commerce platform(s) of the Group in order to improve customer experience in online shopping and strengthen its leading position in the market. In view of the continuous change of shopping behaviour, the increasing demand and requirement of the online customers, the Company has considered to develop the new e-commerce platform with technology such as mobile commerce applications with functions and features including but not limited to: (i) scheduling and reservation function to attract customers to book the service online in anytime and anywhere and enjoy the service in the physical stores of the Group; (ii) membership reward and management service in which the members can enjoy their exclusive privileges and redeem the gifts and service conveniently; (iii) mobile shopping cart with online payment method which can shorten the payment processing time so as to optimise customers' shopping experience; (iv) promotional news and events to enable customers to keep abreast of updates and discount offers through their mobile devices; (v) phone-based payment method; and (vi) data analytical services which is expected to enable the Company to collect data and information on customers' spending habit and preference for carrying out more precise and targeted marketing campaigns. Leveraging on the above, the Group expects to catch up with the growing business potential and opportunities in e-commerce and the increasing use of mobile applications.

The Group has approached an information technology company for the development of the enhanced e-commerce platform recently and the estimated aggregate development cost and annual operating cost of an e-commerce platform of similar size and design is approximately HK\$23.0 million. After considering the unutilised balance of approximately HK\$3.0 million for the development of e-commerce from the proceeds of the rights issue announced on 10 July 2014 and 25 September 2014, the Group will apply HK\$20.0 million from the proceeds of the Open Offer for such development.

The Company has unutilised proceeds of approximately HK\$52.7 million from the placing of shares under specific mandate and general mandate announced on 17 December 2014 and the rights issue announced on 10 July 2014 and 25 September 2014, out of which approximately HK\$10.0 million was intended for funding the capital injection to I Pro Medical Skin Care Centre Limited (a newly acquired wholly-owned subsidiary of the Company). The remaining unutilised proceeds of approximately HK\$30.3 million, HK\$8.8 million, HK\$3.0 million and HK\$0.6 million from the placing of shares under specific mandate, placing of shares under general mandate and the rights issue respectively were reserved for their intended purposes of funding the potential acquisition(s) to be identified by the Company, general working capital of the Group, development of e-commerce business and Securities Investment Business respectively. The Company is actively identifying other suitable investment projects, including but not limited to the vertical or horizontal acquisition of, or through co-operative arrangements and joint ventures with strategic partner(s) for acquisition of, other beauty and slimming centres in Hong Kong and overseas with a view to expanding its market share in the industry.

As majority of the unutilised proceeds of the Company from its previous fund raising activities have been allocated for specific uses, the Directors consider that surplus fund available for meeting future and possible financial and investment needs is limited. In order to provide sufficient and timely funding for possible future acquisition(s), the Board considers that it is appropriate to raise further funds by means of the Open Offers. In addition, a large extent of the net proceeds from the Open Offer has already been allocated for specific purposes and proposed to be utilised by the Company shortly upon the net proceeds from the Open Offer becoming available (such as, acquisition of property, office and shop renovation, e-commerce development, etc as disclosed in this section). The Company considers that if the Open Offer cannot be materialised, the Company may have to delay certain plans.

As at the date of this announcement, no concrete terms have been established nor have any definitive agreements been entered into in respect of any such investment projects. The Group will keep the Shareholders updated and, where appropriate, publish announcements in accordance with the GEM Listing Rules should such investment projects be realised.

## **General**

The Board is of the view that the Open Offer will enable the Group to strengthen its capital base and enhance its financial position for future strategic investments when suitable opportunities arise. Furthermore, the Open Offer will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and participate in the growth and development of the Group. Accordingly, the Directors are of the view that fund raising through the Open Offer is in the interests of the Company and the Shareholders as a whole. **However, those Qualifying Shareholders who do not take up in full the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted.**

The Board considers that it is prudent to finance the Group's long term growth by long term financing, preferably in the form of equity which will not increase the Group's finance costs. The Board has considered other fund raising alternatives before resolving to the Open Offer, including but not limited to debt financing and rights issue. Debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, debt financing may not be achievable on favourable terms in a timely manner. Although rights issue can provide a way out to those Shareholders who do not wish to take up the entitlements by selling nil-paid rights, rights issue will involve extra administrative work and cost for the trading arrangements in relation to the nil-paid rights. In addition, in view of the downward trend of the historical trading price of the Shares, there is uncertainty of the existence of a market to trade the nil-paid rights. In view of the above, the Board considered that raising funds by way of the Open Offer is more cost effective, efficient, beneficial to the Company and its Shareholders as a whole than a rights issue.

The estimated net price per Offer Share after deducting the related expenses of the Open Offer will be approximately HK\$0.096.

## **WARNING OF THE RISKS OF DEALING IN SHARES**

**Shareholders and potential investors should note that the Open Offer is conditional, among other conditions, upon the obligations of the Underwriter under the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Open Offer may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

**Shareholders should note that the Shares will be dealt in on an ex-entitlement basis commencing from Wednesday, 12 August 2015 and that dealings in the Shares will take place while the conditions to which the Underwriting Agreement are subject to remain unfulfilled. Any Shareholder or other person dealings in the Shares up to the date on which all conditions to which the Open Offer is subject to are fulfilled (which is expected to be at 4:00 p.m. on Wednesday, 9 September 2015), will accordingly bear the risk that the Open Offer not becoming unconditional and may not proceed. Any Shareholder or other person contemplating to sell or purchase any Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.**

## EXPECTED TIMETABLE

The expected timetable for the Open Offer is set out below:

<b>Event</b>	<b>2015</b>
Date of despatch of the Circular with the notice and form of proxy of the EGM	Thursday, 23 July
Latest date and time for lodging transfers of Shares in order to be qualified for attendance and voting at the EGM	4:00 p.m. on Monday, 3 August
Closure of register of members of the Company for transfer of Shares to determine the right to attend and vote at the EGM (both dates inclusive)	Tuesday, 4 August to Monday, 10 August
Latest date and time for return of proxy form of the EGM (not less than 48 hours prior to time of the EGM)	11:00 a.m. on Saturday, 8 August
Record date for attendance and voting at the EGM	Monday, 10 August
Date and time of the EGM	11:00 a.m. on Monday, 10 August
Announcement of results of the EGM	Monday, 10 August
Effective date of the Increase in Authorised Share Capital	Monday, 10 August
Last day of dealings in Shares on a cum-entitlement basis of the Open Offer	Tuesday, 11 August
First day of dealings in Shares on an ex-entitlement basis of the Open Offer	Wednesday, 12 August
Latest date and time for lodging transfers of Shares in order to be qualified for the Open Offer	4:00 p.m. on Thursday, 13 August
Closure of register of members of the Company for the transfer of Shares to determine entitlements under the Open Offer (both dates inclusive)	Friday, 14 August to Thursday, 20 August
Record Date for the Open Offer	Thursday, 20 August

**Event****2015**

Register of members of the Company re-opens	Friday, 21 August
Despatch of the Prospectus Documents	Friday, 21 August
Latest Time for Acceptance of and payment for the Offer Shares	4:00 p.m. on Friday, 4 September
Latest Time for Termination of the Underwriting Agreement	4:00 p.m. on Wednesday, 9 September
Announcement of the allotment results of the Open Offer	Tuesday, 15 September
Despatch of Share certificates for the Offer Shares	Wednesday, 16 September
Despatch of refund cheques if the Open Offer is terminated	Wednesday, 16 September
Commencement of dealings in the Offer Shares	9:00 a.m. on Thursday, 17 September

*Note:*

All times and dates in this announcement refer to Hong Kong local times and dates. Shareholders should note that the dates and deadlines specified in this announcement for events in the timetable for (or otherwise in relation to) the Open Offer are indicative only and may be extended or varied by agreement between the Company and the Underwriter.

In the event that any special circumstances arise, the Board may extend, or make adjustment to, the timetable if it considers appropriate. Any extension or adjustment to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

**Effect of bad weather on the Latest Time for Acceptance**

The Latest Time for Acceptance will not take place at 4:00 p.m. on Friday, 4 September 2015 if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning is:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Latest Acceptance Date, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same day instead;
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance, the Latest Time for Acceptance will not take place on the Latest Acceptance Date, but will be rescheduled to 4:00 p.m. on the next business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on the Latest Acceptance Date, the dates mentioned in the section headed “Expected Timetable” in this announcement may be affected. Announcement(s) will be made by the Company on any change to the expected timetable, as and when appropriate.

## FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not conducted any other fund raising activities in the past twelve months immediately preceding the date of this announcement:

Date of Announcement	Fund raising activity	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
17 December 2014	Placing of new shares under specific mandate	HK\$50.05 million	(i) as to approximately HK\$30.00 million for funding the possible acquisition of, and capital injection into, the entire issued share capital of a company which is principally engaged in the operation of a beauty centre in Hong Kong (details of which were disclosed in the announcement of the Company dated 22 January 2015)  (ii) as to approximately HK\$20.05 million for funding other potential acquisition(s) to be identified by the Company	(i) approximately HK\$18.00 million for the acquisition identified by the Company as intended (details of which were disclosed in the announcement of the Company dated 12 June 2015)  (ii) approximately HK\$32.05 million has not yet been utilised and remains in the bank for the intended uses.
17 December 2014	Placing of new shares under general mandate	HK\$8.24 million	for funding the potential acquisition(s) to be identified by the Company	approximately HK\$8.24 million has not yet been utilised and remains in the bank for the intended uses.

<b>Date of Announcement</b>	<b>Fund raising activity</b>	<b>Net proceeds (approximately)</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
10 July 2014 and 25 September 2014	Rights issue on the basis of three rights shares for every one share held on the record date	HK\$84.39 million	(i) as to approximately HK\$50.00 million for the general working capital of the Group; (ii) as to approximately HK\$3.00 million for the development of e-commerce; (iii) as to approximately HK\$15.00 million for the marketing and promotion of the Group; and (iv) as to approximately HK\$16.39 million for the opportunistic investment by the Group in other businesses	(i) as to approximately HK\$41.23 million for the general working capital of the Group; (ii) as to approximately HK\$1.50 million for the marketing and promotion of the Group; and (iii) as to approximately HK\$29.28 million for the opportunistic investment by the Group in other businesses (iv) the remaining balance of approximately HK\$12.38 million has not yet been utilised and remains in the bank for the intended uses.

In view of effective control over marketing and promotion expenses of the Group, approximately HK\$13.5 million of the unutilised proceeds from the rights issue announced on 10 July 2014 and 25 September 2014 was re-allocated from marketing and promotion to investment in listed securities with the view to enable the Group to meet its overall investment needs more efficiently. There are no material changes in the nature of business of the Group and the Board believes that the above change in allocation of proceeds will not adversely affect the existing operation and business of the Group and is in the best interests of the Company and its Shareholders as a whole.

## **ADJUSTMENTS IN RELATION TO THE OUTSTANDING OPTIONS AND THE CONVERTIBLE NOTE**

As at the date of this announcement, there are (i) Outstanding Options granted under the Share Option Scheme entitling the holders thereof to subscribe for up to an aggregate of 34,486,666 Shares; and (ii) the Convertible Note with outstanding principal amount of HK\$20,000,000 which is convertible into a maximum of 145,985,401 Shares at a prevailing conversion price of HK\$0.137 per

conversion share. The Open Offer may cause adjustments to (i) the exercise price of the Outstanding Options and/or the number of Shares to be allotted and issued upon exercise of the Outstanding Options; and (ii) conversion price and/or the number of Shares to be allotted and issued upon exercise of the conversion rights attached to the Convertible Note. The Company will make further announcement in respect of such adjustments as and when appropriate.

## **LISTING RULES IMPLICATIONS**

### **Increase in Authorised Share Capital**

The Increase in Authorised Share Capital is subject to the approval by the Shareholders. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders are required to abstain from voting on any of the resolutions in respect of the Increase in Authorised Share Capital.

### **Open Offer**

In accordance with Rule 10.39(1) of the GEM Listing Rules, the Open Offer will be made conditional on approval by the Independent Shareholders at the EGM by way of poll where any controlling shareholders of the Company and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Open Offer.

At the date of this announcement:

- (i) the Company has no controlling shareholder;
- (ii) each of (i) Biochem Investments, a company wholly owned by Dr. Cheung (who is the chairman of the Board and an executive Director); (ii) Dr. Cheung; and (iii) Mr. Cheung holds 125,328,000 Shares, 161,290,800 Shares and 2,800,000 Shares respectively; and
- (iii) save as disclosed above, none of the Directors or the chief executive of the Company and their respective associates holds any Shares.

On such basis, each of Biochem Investments, Dr. Chueng and Mr. Cheung shall abstain from voting in favour of the resolution(s) in relation to the Open Offer and the transactions contemplated thereunder in accordance with Rule 10.39(1) of the GEM Listing Rules.

## **APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, comprising all of the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Open Offer. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **GENERAL**

The EGM will be convened and held for the Shareholders including the Independent Shareholders (as the case may be), to consider and, if thought fit, to approve, among other things, the Increase in Authorised Share Capital and the Open Offer and the transactions contemplated thereunder. The Circular containing, among other things, (i) further details about the Increase in Authorised Share Capital and the Open Offer; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Open Offer and the transactions contemplated thereunder; (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders on the Open Offer and the transactions contemplated thereunder; and (iv) the notice convening the EGM, is expected to be despatched to the Shareholders on or before Thursday, 23 July 2015.

The register of members of the Company will be closed from Tuesday, 4 August 2015 to Monday, 10 August 2015 (both dates inclusive) in order to determine the entitlement of the Shareholders to attend the EGM, during which period no transfer of the Shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Registrar for registration no later than 4:00 p.m. on Monday, 3 August 2015.

Upon approval of the Open Offer by the Independent Shareholders at the EGM, the Increase in Authorised Share Capital becoming effective and the registration of the Prospectus Documents with the Companies Registry of Hong Kong, the Prospectus Documents setting out details of the Open Offer will be despatched to the Qualifying Shareholders as soon as practicable and the Prospectus (without the Application Form(s)) will be despatched to the Excluded Shareholders for information only.

## DEFINITIONS

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

“acting in concert”	has the meaning as ascribed thereto under the Takeovers Code
“Application Form(s)”	the application form(s) to be issued to the Qualifying Shareholders in respect of their assured entitlements under the Open Offer
“associate”	has the meaning as ascribed thereto under the GEM Listing Rules
“Biochem Investments”	Biochem Investments Limited, a company incorporated in the British Virgin Islands with limited liability and the entire issued share capital of which is wholly owned by Dr. Cheung
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no.8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular of the Company to be despatched by the Company to the Shareholders for the purpose of, among other matters, providing further details regarding the Increase in Authorised Share Capital, the Open Offer and the transactions contemplated thereunder
“close associate”	has the meaning as ascribed thereto under the GEM Listing Rules
“Company”	Sau San Tong Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the GEM
“connected person”	has the meaning as ascribed thereto under the GEM Listing Rules

“controlling shareholder”	has the meaning as ascribed thereto under the GEM Listing Rules
“Convertible Note”	the 2% convertible note due 2016 issued by the Company to Dr. Cheung on 20 December 2013, the outstanding principal amount of which is HK\$20,000,000 and is convertible into Shares at a prevailing conversion price of HK\$0.137 per conversion share (subject to adjustment(s)) as at the date of the Underwriting Agreement
“core connected person”	has the meaning ascribed thereto under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“Director Options”	Outstanding Options held by Mr. Cheung which entitles him to subscribe for an aggregate of 4,666,666 Shares as at the date of this announcement
“Dr. Cheung”	Dr. Cheung Yuk Shan, Shirley, the chairman of the Board and an executive Director
“Dr. Cheung’s Undertaking”	the irrevocable and conditional undertaking given by Dr. Cheung in favour of the Company and the Underwriter on 7 July 2015 pursuant to which Dr. Cheung has undertaken, <i>inter alia</i> , (1) not to transfer or otherwise dispose of any interest in the Convertible Note; and (2) not to exercise any of the conversion rights attached to the Convertible Note from the date of the Dr. Cheung’s Undertaking up to and including the Record Date
“EGM”	the extraordinary general meeting of the Company to be convened and held on Monday, 10 August 2015 (or any adjournment thereof) for the Shareholders or (as the case may be) the Independent Shareholders to consider and, if thought fit, approve, among other things, the Increase in Authorised Share Capital, the Open Offer and the transactions respectively contemplated thereunder
“Excluded Shareholder(s)”	Overseas Shareholder(s), to whom the Directors, based on legal advice(s) provided by the legal adviser(s) to the Company, consider it necessary or expedient not to offer the Offer Shares on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM

“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$20,000,000 divided into 2,000,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of 8,000,000,000 additional Shares
“Independent Board Committee”	comprising all independent non-executive Directors established to advise the Independent Shareholders in respect of the Open Offer
“Independent Shareholder(s)”	any Shareholder(s) who are not required by the GEM Listing Rules to abstain from voting at the EGM
“Last Trading Day”	7 July 2015, being the date of the Underwriting Agreement
“Latest Acceptance Date”	Friday, 4 September 2015 or such other day as may be agreed between the Company and the Underwriter, being the latest date for the application for, and payment for, the Offer Shares
“Latest Time for Acceptance”	4:00 p.m. on Friday, 4 September 2015 or such other time or date as may be agreed between the Company and the Underwriter, being the latest time for application for, and payment for, the Offer Shares as described in the Prospectus Documents
“Latest Time for Termination”	4:00 p.m. on Wednesday, 9 September 2015, being the third Business Day after the Latest Time for Acceptance (or such other time or date as the Underwriter and the Company may agree)
“Mr. Cheung”	Mr. Cheung Ka Heng, Frankie, an executive Director

“Mr. Cheung’s Undertaking”	the irrevocable and unconditional undertaking given by Mr. Cheung in favour of the Company and the Underwriter on 7 July 2015 pursuant to which Mr. Cheung has undertaken not to exercise any of the subscription rights attached to the Director Options held by him as from the date of Mr. Cheung’s Undertaking up to and including the Record Date
“Offer Share(s)”	Share(s) to be allotted and issued under the Open Offer, being not less than 1,821,135,954 Offer Shares and not more than 1,850,955,954 Offer Shares proposed to be offered to the Qualifying Shareholders pursuant to the Open Offer on the basis of one (1) Offer Share for every one (1) Share held on the Record Date
“Open Offer”	the proposed issue of one (1) Offer Share for every one (1) Share in issue and held on the Record Date at the Subscription Price to the Qualifying Shareholders on the terms and subject to the conditions to be set out in the Prospectus Documents
“Outstanding Options”	share options granted by the Company under the Share Option Scheme which entitle the holders thereof to subscribe for up to an aggregate 34,486,666 Shares as at the date of the Underwriting Agreement
“Overseas Shareholder”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose registered address(es) as shown on such register is/are outside Hong Kong
“PRC”	the People’s Republic of China which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus to be issued by the Company and expected to be despatched to the Shareholders on the Prospectus Posting Date containing details of the Open Offer in such form as may be agreed between the Company and the Underwriter
“Prospectus Documents”	the Prospectus and the Application Forms
“Prospectus Posting Date”	Friday, 21 August 2015 or such other date as the Underwriter may agree in writing with the Company, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of the members of the Company at the close of business on the Record Date, other than the Excluded Shareholder(s)

“Record Date”	Thursday, 20 August 2015 (or such other date as the Underwriter may agree in writing with the Company), as the date by reference to which entitlements to the Open Offer will be determined
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, being Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Share Option Scheme”	the share option scheme adopted by the Shareholders on 4 November 2003
“Shareholder(s)”	the holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.10 per Offer Share
“substantial shareholder”	has the meaning as ascribed thereto under the GEM Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	CNI Securities Group Limited (中國北方證券集團有限公司), a licensed corporation to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 4 (advising on securities) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement dated 7 July 2015 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Open Offer

“Underwritten Shares”	the Offer Shares (being not less than 1,821,135,954 Offer Shares (assuming that there is no change to the issued share capital of the Company on or before the Record Date) and not more than 1,850,955,954 Offer Shares (assuming that there is no change to the issued share capital of the Company other than as a result of the issue of Shares upon exercise of the Outstanding Options (other than the Director Options) in full on or before the Record Date)
“Untaken Shares”	the Underwritten Shares not taken up
“%”	per cent.

On behalf of the Board  
**Sau San Tong Holdings Limited**  
**Cheung Yuk Shan, Shirley**  
*Chairman*

Hong Kong, 7 July 2015

*As at the date of this announcement, the Board comprises executive Directors namely Dr. Cheung Yuk Shan, Shirley (Chairman), Mr. Cheung Ka Heng, Frankie and Mr. Mui Wai Sum; independent non-executive Directors namely Mr. Hong Po Kui, Martin, Mr. Li Kuo Hsing, Ms. Hui Yat Lam and Ms. Chiu Kam Hing, Kathy.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material aspects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the “Latest Company Announcements” page on the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting and on the Company’s website at [www.sausantong.com](http://www.sausantong.com).*