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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 RIGHTS ISSUE OF NOT LESS THAN 3,642,271,908 RIGHTS SHARES AND NOT MORE THAN 3,656,060,508 RIGHTS SHARES AT HK\$0.10 PER RIGHTS SHARE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) SHARE IN ISSUE HELD ON THE RECORD DATE;**
- (3) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER; AND**
- (4) CLOSURE OF REGISTER OF MEMBERS**

Financial adviser to the Company



Akron Corporate Finance Limited
亚贝隆资本有限公司

Underwriters of the Rights Issue



聯合證券有限公司
HEAD & SHOULDERS SECURITIES LIMITED
EXCHANGE PARTICIPANT OF THE STOCK EXCHANGE OF H.K. LTD.



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



Gram Capital Limited
嘉林資本有限公司

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the date of this announcement, the authorised share capital of the Company is HK\$100,000,000 divided into 5,000,000,000 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 Rights Issue, 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 be increased from HK\$100,000,000 divided into 5,000,000,000 Shares to HK\$400,000,000 divided into 20,000,000,000 Shares by the creation of 15,000,000,000 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 RIGHTS ISSUE

After trading hours on 2 December 2016, the Company and the Underwriters entered into the Underwriting Agreement in respect of the Rights Issue. The Underwriters have severally agreed to underwrite the Underwritten Shares (being not less than 3,642,271,908 Rights Shares and not more than 3,656,060,508 Rights Shares) pursuant to the Underwriting Agreement. On such basis, the Rights Issue is fully underwritten. Details of the underwriting arrangement are set out in the section headed “Underwriting Agreement” in this announcement.

Subject to the Increase in Authorised Share Capital becoming effective, the Company proposes to raise not less than approximately HK\$364.2 million (before expenses) and not more than approximately HK\$365.6 million (before expenses), by way of a rights issue of not less than 3,642,271,908 Rights Shares and not more than 3,656,060,508 Rights Shares at a subscription price of HK\$0.10 per Rights Share on the basis of two (2) Rights Shares for every one (1) Share held on the Record Date.

The net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be not less than approximately HK\$350.6 million and not more than approximately HK\$352.0 million. The Company intends to apply net proceeds from the Rights Issue as to (i) approximately HK\$174.0 million for funding acquisition of commercial and residential properties situated in the PRC and Hong Kong ; (ii) approximately HK\$20.0 million for repayment of the Convertible Note with outstanding principal amount of HK\$20.0 million; (iii) approximately HK\$40.0 million for the development of the Group’s money lending business; (iv) approximately HK\$60.0 million for renovation of offices and shops in the PRC and Hong Kong; (v) approximately HK\$30.0 million for the development of securities investment business; and (vi) the remaining balance for general working capital of the Group and/or investment opportunities as may be identified from time to time. Based on the minimum net proceeds of approximately HK\$350.6 million, the estimated net price per Rights Share will be approximately HK\$0.096.

The Rights Issue will only be available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders and the Prospectus (without the PAL(s) and EAF(s)), for information only, to the Excluded Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the close of business of the Record Date and must be a Qualifying Shareholder. In order to be registered as members of the Company on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the Registrar for registration no later than 4:30 p.m. (Hong Kong time) on Thursday, 26 January 2017.

IMPLICATIONS UNDER THE GEM LISTING RULES

In accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders by way of poll at the EGM at 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 Rights Issue and the transactions contemplated thereunder.

As at the date of this announcement, (i) the Company does not have any controlling shareholder; (ii) each of Dr. Cheung, an executive Director; and Biochem Investments (a company wholly owned by Dr. Cheung) holds 80,645,400 Shares and 62,664,000 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 Dr. Cheung and Biochem Investments and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue and the transactions contemplated thereunder in accordance with Rule 10.29(1) of the GEM Listing Rules.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Rights Issue, whether the terms are fair and reasonable and whether it is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders how to vote, taking into account the recommendations of the Independent Financial Adviser. With the approval of the Independent Board Committee, 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 purpose of considering and, if thought fit, approving, among other things, the Increase in Authorised Share Capital and the Rights Issue and the transactions contemplated thereunder.

The Circular containing, among other things, (i) further details about the Increase in Authorised Share Capital and the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder; (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders on the Rights Issue and the transactions contemplated thereunder; and (iv) the notice convening the EGM, will be despatched to the Shareholders on or before Thursday, 5 January 2017.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

Shareholders and potential investors should note that the Rights Issue is conditional upon, among other conditions, the obligations of the Underwriters under the Underwriting Agreement having become unconditional and the Underwriters not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealings in the Shares and/or nil-paid Rights 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, 25 January 2017 and that dealings in the Shares and/or nil-paid Rights Shares will take place while the conditions to which the Underwriting Agreement is subject to remain unfulfilled. Any Shareholder or other person dealing in the Shares and/or nil-paid Rights Shares up to the date on which all conditions to which the Rights Issue are subject are fulfilled (which is expected to be at 4:00 p.m. on Friday, 24 February 2017), will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholder or other person contemplating to sell or purchase any Shares and/or nil-paid Rights 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 Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

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 43,317,018 Shares; and (ii) the Convertible Note with outstanding principal amount of HK\$20,000,000 which is convertible into a maximum of 73,529,411 Shares at a prevailing conversion price of HK\$0.272 per conversion share. The Rights Issue 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.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the date of this announcement, the authorised share capital of the Company is HK\$100,000,000 divided into 5,000,000,000 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 Rights Issue, 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 be increased from HK\$100,000,000 divided into 5,000,000,000 Shares to HK\$400,000,000 divided into 20,000,000,000 Shares by the creation of 15,000,000,000 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 allotting and issuing new Shares in the future as and when appropriate, 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 Schemes; (ii) the exercise of the conversion rights attached to the Convertible Note; and (iii) the proposed allotment and issue of the Rights 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 RIGHTS ISSUE

After trading hours on 2 December 2016, the Company and the Underwriters entered into the Underwriting Agreement in respect of the Rights Issue.

Issue statistics

Basis of the Rights Issue:	Two (2) Rights Shares for every one (1) Share in issue held on the Record Date
Subscription Price:	HK\$0.10 per Rights Share
Number of Shares in issue as at the date of this announcement:	1,821,135,954 Shares

Number of Rights Shares: Not less than 3,642,271,908 Rights Shares (Note 1) and not more than 3,656,060,508 Rights Shares (Note 2)

The aggregate nominal value of the Rights Shares will be not less than HK\$72,845,438.16 (Note 1) and not more than HK\$73,121,210.16 (Note 2)

Enlarged issued share capital of the Company immediately upon completion of the Rights Issue: Not less than HK\$109,268,157.24 comprising 5,463,407,862 Shares (Note 1) and not more than HK\$109,681,815.24 comprising 5,484,090,762 Shares (Note 2)

Underwriters: (i) Head & Shoulders Securities Limited (聯合證券有限公司); and

(ii) RaffAello Securities (HK) Limited

Funds raised before expenses: Not less than approximately HK\$364.2 million before expenses (Note 1) and not more than approximately HK\$365.6 million before expenses (Note 2)

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 and Management 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 43,317,018 Shares, of which Outstanding Options with subscription rights attached thereto in respect of 36,422,718 Shares in aggregate are held by Mr. Mui and Ms. Kwan. Pursuant to Mr. Mui's Undertaking, Mr. Mui has irrevocably and unconditionally undertaken to the Company and the Underwriters that he will not exercise any of the subscription rights attached to the Director Options from the date of the Underwriting Agreement and up to and including the Record Date. Pursuant to Ms. Kwan's Undertaking, Ms. Kwan has irrevocably and unconditionally undertaken to the Company and the Underwriters that she will not exercise any of the subscription rights attached to the Management Options from the date of the Underwriting Agreement and up to and including the Record Date. Assuming the subscription

rights attaching to the Outstanding Options (other than the Director Options and the Management Options) are exercised in full on or before the Record Date, a maximum number of 3,656,060,508 Rights Shares will be issued (i.e. with an additional 13,788,600 Rights Shares); and

- (ii) the Company has in issue the Convertible Note with outstanding principal amount of HK\$20,000,000 which is convertible into 73,529,411 Shares at the prevailing conversion price. Pursuant to Dr. Cheung's Undertaking, Dr. Cheung has irrevocably and unconditionally undertaken to the Company and the Underwriters that she will not transfer or otherwise dispose of any of her interest in the Convertible Note and will not exercise any of the conversion rights attaching to the Convertible Note from the date of the Underwriting Agreement and up to and including 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 Rights Issue.

Save for the Outstanding Options and the Convertible Note, the Company does not have 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 Company has no intention to issue or grant any warrants, options and/or convertible securities on or before the Record Date.

The Rights Issue is fully underwritten by the Underwriters who shall ensure that the Company will comply with the public float requirement under the GEM Listing Rules when the Underwriters are called upon to subscribe for or procure subscribers of the Underwritten Shares.

The Rights 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 Record Date, a total number of 3,642,271,908 Rights Shares will be allotted and issued upon completion of the Rights Issue, representing:

- (i) 200.00% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 66.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights 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 and the Management Options) in full from the date of this announcement up to and including Record Date, not more than 3,656,060,508 Rights Shares will be allotted and issued upon completion of the Rights Issue, such maximum number of Rights Shares representing:

- (i) approximately 200.76% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 66.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares and the issue of Shares upon exercise of the Outstanding Options (other than the Director Options and the Management Options) in full.

Subscription Price

The Subscription Price of HK\$0.10 per Rights Share will be payable in full upon a Qualifying Shareholder accepting his/her/its provisional allotment of the Rights Shares and where applicable, applying for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares. The Subscription Price represents:

- (a) a premium of approximately 5.3% over the closing price of HK\$0.095 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 7.3% over the average closing price of 0.0932 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (c) a premium of approximately 1.7% over the theoretical ex-entitlement price of approximately HK\$0.0983 per Share, based on the closing price of HK\$0.095 per Share as quoted on the Stock Exchange on the Last Trading Day.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriters with reference to, among other things, the market price and trading liquidity of the Shares under the prevailing market conditions and the financial position of the Group. All Qualifying Shareholders are entitled to subscribe for the Rights Shares in the same proportion to his/her/its existing shareholding in the Company held on the Record Date so as to maintain their shareholdings in the Company and participate in the future growth of the Group.

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 Rights Issue (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Rights Issue

The Rights Issue is conditional upon the fulfilment of the following conditions:

- (a) the Increase in Authorised Share Capital becoming effective by no later than the Prospectus Posting Date;
- (b) the passing of the necessary resolution(s) by the Shareholders (who are not required to abstain from voting under the GEM Listing Rules) at the EGM to approve the Rights Issue by no later than the Prospectus Posting Date;
- (c) the Stock Exchange granting or agreeing to grant (subject to allotment) the listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms) by no later than the Prospectus Posting Date and the Stock Exchange not having withdrawn or revoked such listing and permission on or before the Latest Time for Termination;
- (d) the filing and registration of the Prospectus Documents (together with any other documents required by applicable law or regulation to be annexed thereto) with the Registrar of Companies in Hong Kong in accordance with the Companies (WUMP) Ordinance by no later than the Prospectus Posting Date;
- (e) the posting of the Prospectus Documents to the Qualifying Shareholders by no later than the Prospectus Posting Date;
- (f) the delivery of the duly executed Dr. Cheung's Undertaking, Mr. Mui's Undertaking and Ms. Kwan's Undertaking to the Company and the Underwriters on or before the date of the Underwriting Agreement;
- (g) compliance with and performance of all the undertakings and obligations of the signatory of each of Dr. Cheung's Undertaking, Mr. Mui's Undertaking and Ms. Kwan's Undertaking by the Latest Time for Acceptance; and
- (h) the Underwriting Agreement not being terminated by the Underwriters 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 Underwriters. If the above conditions are not fulfilled by the respective dates set out above, (or such later date or dates as the Company and the Underwriters may agree in writing, the Underwriting Agreement shall terminate save for the provisions in relation to confidentiality, notices, governing laws and other miscellaneous matters and any rights or obligations which may accrue under the Underwriting Agreement prior to such termination, and no party shall have any claim against any other party for costs, damages, compensation or otherwise, and the Rights Issue will not proceed.

Basis of provisional allotment

The basis of the provisional allotment will be two (2) Rights Shares (in nil-paid form) for every one (1) Share in issue held by Qualifying Shareholders at the close of business on the Record Date. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully-paid, will rank *pari passu* with the Shares then in issue in all respects. Holders of the fully-paid Rights 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 Rights Shares in fully-paid form. Dealings in the Rights 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 Rights Issue will only be available to the Qualifying Shareholders. Subject to the passing of the resolution approving the Rights Issue by the Independent Shareholders at the EGM and the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will send the Prospectus Documents to the Qualifying Shareholders and the Prospectus (without the PAL(s) and EAF(s)), for information only, to the Excluded Shareholders.

To qualify for the Rights Issue, 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 4:30 p.m. on Thursday, 26 January 2017.

Closure of register of members

The branch register of members of the Company will be closed from Tuesday, 17 January 2017 to Monday, 23 January 2017 (both dates inclusive) to determine the eligibility of the Shareholders to vote at the EGM. No transfer of Shares will be registered during such period.

The branch register of members of the Company will also be closed from Friday, 27 January 2017 to Wednesday, 8 February 2017 (both dates inclusive) to determine the entitlement to the Rights Issue. No transfer of Shares will be registered during such 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 Rights Issue as explained below.

In compliance with Rule 17.41(1) of the GEM Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any). If, based on legal advice, the Directors consider that it is necessary or expedient not to offer the Rights 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 Rights Issue 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 Rights Issue, to be despatched to the Qualifying Shareholders on the Prospectus Posting Date. The Company will send copies of the Prospectus (without the PAL(s) and EAF(s)) to the Excluded Shareholders (if any) for their information only.

The Company shall provisionally allot the Rights Shares which represent the entitlements of the Excluded Shareholders to a nominee of the Company in nil-paid form and the Company shall procure that such nominee shall endeavour to sell the rights as soon as practicable after dealings in nil-paid Rights Shares commence and in any event on or before the last day of dealings in nil-paid Rights Shares at a net premium (nil-paid). If and to the extent that such rights can be so sold, the nominee of the Company shall account to the Company for the net proceeds of sale (after deducting the expenses of sale, if any), on the basis that the net proceeds after deducting the expenses of sale (if any) attributable to the sale of the nil-paid Rights Shares that would otherwise have been allotted to the Excluded Shareholders shall be distributed pro rata to their shareholdings as at the Record Date (but rounded down to the nearest cent) to the Excluded Shareholders provided that individual amounts of HK\$100 or less shall be retained by the Company for its own benefit. Any of such nil-paid Rights Shares which are not sold as aforesaid will be dealt with as Rights Shares not taken up in accordance with the terms of the Underwriting Agreement.

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

Application for excess Rights Shares

Qualifying Shareholders shall be entitled to apply for (i) Rights Shares representing the entitlement of the Excluded Shareholders which cannot be sold at a net premium; and (ii) any Rights Shares provisionally allotted but not taken up by the Qualifying Shareholders.

Applications may be made by Qualifying Shareholders by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Board will allocate the excess Rights Shares to the Qualifying Shareholders who have applied for the excess application on a pro rata basis on the excess Rights Shares applied by them without involving allocation of any fractional Rights Share. Shareholders who have been offered odd lots of the Rights Shares should note that there is no guarantee that such odd lots of the Rights Shares will be topped up to create whole board lots pursuant to applications for the excess Rights Shares. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (i) no preference will be given to applications for topping-up odd-lot holdings to whole-lot holdings as the giving of such preference may potentially be abused by certain investors by splitting their Shares and thereby receiving more Rights Shares than they would receive if such preference is not given, which is an unintended and undesirable result; and
- (ii) subject to availability of excess Rights Shares, the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for the excess application on a pro rata basis on the excess Rights Shares applied for by them.

Any Rights Shares not applied for by the Qualifying Shareholders and not taken by excess application will be taken up by the Underwriters and sub-underwriter(s) pursuant to the terms and conditions of the Underwriting Agreement.

Investors with their Shares held by a nominee company should note that the Board will regard the nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company.

Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. Investors with their Shares held by a nominee company are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. Shareholders and investors should consult their professional advisers if they are in any doubt as to their status.

Investors whose Shares are held by their nominee(s) and who would like to have their names registered on the branch register of members of the Company on the Record Date must lodge all necessary documents with the Registrar for completion of the relevant registration by 4:30 p.m. (Hong Kong time) on Thursday, 26 January 2017.

Fractions of Rights Shares

On the basis of provisional allotment of two (2) Rights Shares for every one (1) Share held on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

Share certificates for the Rights Shares and refund cheques for the Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares and refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Friday, 3 March 2017. If the Rights Issue is terminated, refund cheques are expected to be posted by ordinary post to the applicants at their own risk on or before Friday, 3 March 2017.

Application for listing of the Rights Shares

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) on the Stock Exchange. The trading board lot size of the Rights Shares (in both nil-paid and fully-paid forms) is 40,000 Shares.

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange. Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms 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 Rights Shares in both their nil-paid and fully-paid forms to be admitted into CCASS.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, which are registered in the branch register of members of the Company in Hong Kong maintained by the Registrar, 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

The principal terms of the Underwriting Agreement are as follows:

Date: 2 December 2016

Underwriters: (i) Head & Shoulders Securities Limited (聯合證券有限公司) (“HS”); and
(ii) RaffAello Securities (HK) Limited (“RS”)

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of the Underwriters and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons

Number of Underwritten Shares: The Underwriters have severally agreed to underwrite the Underwritten Shares (being not less than 3,642,271,908 Rights Shares and not more than 3,656,060,508 Rights Shares pursuant to the Underwriting Agreement in the following order of priority:

- (i) firstly, RS shall subscribe or procure subscription on the terms of the Prospectus Documents (so far as the same are applicable) for the Untaken Shares up to 500,000,000 Rights Shares; and
- (ii) secondly, HS shall subscribe on the terms of the Prospectus Documents (so far as the same are applicable) for all remaining Untaken Shares,

provided that if the number of the Untaken Shares is equal to or less than 500,000,000 Rights Shares, HS shall not be required to subscribe or procure the subscription of any such Untaken Shares and all such Untaken Shares shall be subscribed in full by RS and/or subscribers procured by RS.

On such basis, the Rights Issue is fully underwritten.

Underwriting commission: 3% of the total Subscription Price in respect of the minimum number of the Rights Shares underwritten by each of the Underwriters (i.e. as regards RS 500,000,000 Rights Shares and as regards HS 3,142,271,908 Rights Shares)

The terms of the Underwriting Agreement are agreed after arm's length negotiation between the Company and the Underwriters by reference to the existing financial position of the Group, the size of the Rights Issue, 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 Underwriters 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 Underwriters have pursuant to its appointment under the Underwriting Agreement.

Condition of the Underwriting Agreement

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

Termination of the Underwriting Agreement

If prior to the Latest Time for Termination:

- (A) in the reasonable opinion of the Underwriters, the success of the Rights Issue would be materially and adversely affected by:
- (i) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriters 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 Rights Issue after the signing of the Underwriting Agreement;
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring after the signing of the Underwriting Agreement or continuing after the signing of the Underwriting Agreement), of a political, military, financial, economic or other nature, 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 Underwriters materially and adversely affect the business or the financial or trading position of the Group as a whole;
 - (iii) any material adverse change after the signing of the Underwriting Agreement in the business or in the financial or trading position of the Group as a whole;

- (iv) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out occurred after the signing of the Underwriting Agreement which would, in the reasonable opinion of the Underwriters materially and adversely affect the business or the financial or trading position of the Group as a whole;
 - (v) the commencement by any third party of any litigation or claim against any member of the Group after the signing of the Underwriting Agreement which, in the reasonable opinion of the Underwriters, is or might be material to the Group taken as a whole;
 - (vi) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (B) there is 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, imposition of economic sanctions, in Hong Kong or other jurisdiction relevant to the Group or any member of the Group and a change in currency conditions 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 Underwriters makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (C) the Prospectus and all amendments and supplements thereto when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the GEM Listing Rules or the Takeover Code or any applicable regulations) which has not prior to the date thereof been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriters is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue,

then the Underwriters may, by joint notice in writing served to the Company prior to the Latest Time for Termination, terminate the Underwriting Agreement.

The Underwriters shall be entitled by joint notice in writing prior to the Latest Time for Termination to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (1) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriters; 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 render any of the warranties given by the Company contained in the Underwriting Agreement untrue or incorrect in any material respect comes to the knowledge of the Underwriters.

In the event that the Underwriters exercise their rights to terminate or rescinds the Underwriting Agreement as described above, the Rights Issue will not proceed.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purpose only, set out below are the shareholding structures of the Company (i) as at the date of this announcement; and (ii) immediately after completion of the Rights Issue:

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 Rights Issue			
			Assuming all the Rights Shares are subscribed for by the Qualifying Shareholders and there is no Excluded Shareholders		Assuming the Underwriters take up all the Rights Shares	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Dr. Cheung Biochem Investments (Note 2)	80,645,400	4.43	241,936,200	4.43	80,645,400	1.48
	<u>62,664,000</u>	<u>3.44</u>	<u>187,992,000</u>	<u>3.44</u>	<u>62,664,000</u>	<u>1.15</u>
<i>Subtotal</i>	<i>143,309,400</i>	<i>7.87</i>	<i>429,928,200</i>	<i>7.87</i>	<i>143,309,400</i>	<i>2.62</i>
Other public Shareholders and holders of the Outstanding Options (other than the Director Options and the Management Options)	1,677,826,554	92.13	5,033,479,662	92.13	1,677,826,554	30.71
Underwriters, sub-underwriter(s) and/or subscribers procured by any of them (Note 3)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,642,271,908</u>	<u>66.67</u>
	1,821,135,954	100.00	5,463,407,862	100.00	5,463,407,862	100.00

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 and the Management 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 and the Management Options) are exercised in full		Immediately after completion of the Rights Issue			
					Assuming all the Rights shares are subscribed for by the Qualifying Shareholders and there is no Excluded Shareholders		Assuming the Underwriters take up all the Rights Shares	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Dr. Cheung	80,645,400	4.43	80,645,400	4.41	241,936,200	4.41	80,645,400	1.47
Biochem Investments (Note 2)	62,664,000	3.44	62,664,000	3.43	187,992,000	3.43	62,664,000	1.14
<i>Subtotal</i>	<i>143,309,400</i>	<i>7.87</i>	<i>143,309,400</i>	<i>7.84</i>	<i>429,928,200</i>	<i>7.84</i>	<i>143,309,400</i>	<i>2.61</i>
Other public Shareholders and holders of the Outstanding Options (other than the Directors Options)	1,677,826,554	92.13	1,684,720,854	92.16	5,054,162,562	92.16	1,684,720,854	30.72
Underwriters, sub-underwriter(s) and subscribers procured by any of them (Note 3)	—	—	—	—	—	—	3,656,060,508	66.67
	1,821,135,954	100.00	1,828,030,254	100.00	5,484,090,762	100.00	5,484,090,762	100.00

Notes:

- 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.
- The entire issued share capital of Biochem Investments is wholly owned by Dr. Cheung.

3. Pursuant to the Underwriting Agreement, in the event of any Underwriter being called upon to subscribe for or procure subscribers of the Untaken Shares, such Underwriter, among other things,
- (i) will not, and will procure each of the subscribers of the Untaken Shares (including an direct and indirect sub-underwriters) will not, together with any party acting in concert with it, hold 29.9% or more of the voting rights of the Company immediately upon the allotment and issue of the Rights Shares (in their fully-paid forms);
 - (ii) will procure each of the subscribers of the Untaken Shares (including any direct and indirect sub-underwriters) will not hold 10.0% or more of the voting rights of the Company immediately upon the allotment and issue of the Rights Shares (in their fully-paid forms);
 - (iii) shall use all reasonable endeavours to procure that each of the subscribers of the Untaken Shares (including any direct and indirect sub-underwriters), shall be third party 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;
 - (iv) shall and shall cause the sub-underwriters (if any) to procure independent subscribers to take up such number of Untaken Shares as necessary to ensure sufficient public float be maintained upon the allotment and issue of the Rights Shares (in their fully-paid forms) in compliance with Rule 11.23(7) of the GEM Listing Rules; and
 - (v) agrees to take such appropriate steps as may be reasonably required to maintain the minimum public float 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 (within the meaning of the GEM Listing Rules) immediately upon the allotment and issue of the Rights Shares (in their fully-paid forms) solely because of such Underwriter's performance of its obligations pursuant to the Underwriting Agreement.
4. Pursuant to the Underwriting Agreement, the Underwriters 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 RIGHTS ISSUE AND THE USE OF PROCEEDS

The Group is principally engaged in the (i) provision of beauty and slimming services from slimming centres; (ii) distribution sales of cosmetic and skin care products; (iii) sales of other health and beauty products and (iv) investment in securities.

The net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be approximately not less than HK\$350.6 million and not more than approximately HK\$352.0 million. The Company intends to apply net proceeds from the Rights Issue as to (i) approximately HK\$174.0 million for funding acquisition of commercial and residential properties situated in the PRC and Hong Kong; (ii) approximately HK\$20.0 million for repayment of the Convertible Note with outstanding principal amount of HK\$20.0 million ; (iii) approximately HK\$40.0 million for the development of the Group's money lending business; (iv) approximately HK\$60.0 million for

renovation of offices and shops in the PRC and Hong Kong; (v) approximately HK\$30.0 million for development of securities investment business; and (vi) the remaining balance for general working capital of the Group and/or investment opportunities as may be identified from time to time.

Funding the acquisition of properties

As disclosed in annual report of the Group for the year ended 31 March 2016 (the “**Annual Report**”), the Group has been renting a number of premises in Hong Kong as its offices as well as beauty, slimming and spa centres. The Group is optimistic about the long-term prospects of the property market in Hong Kong and has long been searching for appropriate investment opportunities. It has been the Group’s intention to further develop its business through expansion and upgrade of its shops network. In addition, the Group has been actively looking for suitable properties (i) for self-use as beauty and slimming centre and as training centre for the Group’s franchisees for pursuing its beauty business development; and/or (ii) for investment purposes for generating rental income.

In 2017, the Group intends to acquire (i) a commercial property (the “**PRC Commercial Property**”) to foster development of the Group’s beauty business in the PRC. The PRC Commercial Property situated in Shenzhen, the PRC with total area of over 2,000 square metres will be used as flagship beauty and slimming centre in Shenzhen and as a training centre for the Group’s franchise business in the PRC; and (ii) a residential property in Hong Kong (the “**HK Residential Property**”) with total area of around 2,500 square feet for bringing in rental income and/or capital appreciation. The estimated acquisition costs for the PRC Commercial Property and the HK Residential Property will be approximately HK\$157.0 million and HK\$17.0 million respectively, which aggregated to approximately HK\$174.0 million. The Group envisages to complete acquisition of the PRC Commercial Property and the HK Residential Property by third quarter in 2017 and first quarter in 2017 respectively.

The Directors believe that investment in properties could enhance the operating results of the Group in the mid to long-term. In addition, financing the acquisition of the PRC Commercial Property and the HK Residential Property by the Rights Issue will reduce interest expense of the Group as compared with bank financing, concurrently, maintain the Group’s gearing ratio at low level.

Repayment of outstanding Convertible Note

As at the date of this announcement, the Company had the Convertible Note with outstanding principal amount of HK\$20 million which will become mature in December 2016. The Company intends to discuss with the holder of the Convertible Note to extend the maturity date of the Convertible Note. The Board considers that repayment of the Convertible Note can improve the gearing position of the Group and strengthen the Group’s financial position.

Development of money lending business

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 commenced its money lending business in May 2016. As at 30 September 2016, the loan portfolio of the Group was approximately HK\$50 million, with average loan size of approximately HK\$8 million. Since the commencement of the money lending business, it has generated interest income of approximately HK\$2.3 million up to 30 September 2016. The Group believes that the net proceeds from the Rights Issue will provide the Group with instant funding for the development of its money lending business. The Group targets corporations and individuals with short-term financing needs of 12 months or less with loan size of not more than HK\$10.0 million for each individual loan with a target of around 10 active loan accounts in order to maintain a quick turnaround of loan portfolio and minimize the credit risk of the Group. Based on the foregoing, the Group aims to expand the loan portfolio and broaden the scope of its money lending business to provide a variety of loans, such as personal loan, business loan, first and second property mortgage loans, etc. The Group intends to apply net proceeds from the Rights Issue of approximately HK\$40.0 million for the development of the money lending business segment which is determined with reference to the funding needs required for achieving the targeted loan portfolio of the Group. 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.

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 Rights Issue of approximately HK\$60.0 million in the renovation of offices and shops, out of which (i) an aggregate of approximately HK\$8.0 million to renovate around four existing beauty, slimming and spa centres located in Hong Kong; (ii) an aggregate of approximately HK\$40.0 million to renovate newly established beauty centres in Hong Kong and the PRC; and (iii) approximately HK\$12.0 million to replace its outdated machinery and equipment.

Development of securities investment business

As disclosed in the first quarterly report of the Group for the three months ended 30 June 2016, the Group has generated revenue of approximately HK\$20.1 million from its securities investment business which represented approximately 63.4% of those revenue generated from securities investment business for the year ended 31 March 2016. As stated in the annual report of the Group for the year ended 31 March 2016, securities investment business recorded segment revenue and segment profit of approximately HK\$31.6 million and HK\$31.4 million respectively. In view of the revenue and profit contribution of the Group's securities investment business, the Directors intend to gradually expand this segment and diversify its investments portfolio in order to reduce the relevant concentration and investment risks.

The Company estimated the capital requirement for its securities investment business with reference to, among others, the size of the current investment portfolio of approximately HK\$78.3 million, the average investment amount for each investment product of approximately HK\$5.0 million, the trading performance of the investments of the Company, the business plan of the Company and the prevailing market situations. With reference to the average investment amount for each investment product of approximately HK\$5.0 million and the size of the allocated net proceeds of HK\$30.0 million, the Company estimates that the Rights Issue will enable the Company to expand its investment portfolio by acquiring around 6 additional investment products subject to the investment decision of the Group.

Given the nature of securities investment business, it is crucial for the Group to have readily available funds in order to capture suitable investment opportunities which may arise from time to time in a timely fashion to provide investment return to the Group and the Shareholders.

General working capital for existing business of the Group

The Group 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. The Group considers that with the development of the new business segment of 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 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.

General

The Board is of the view that the Rights Issue will enable the Group to strengthen its capital base and enhance its financial position for future strategic investments when suitable opportunities arise. Furthermore, the Rights Issue 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 Rights Issue is in the interests of the Company and the Shareholders as a whole. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

The Board considers 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 Rights Issue, including but not limited to bank borrowings and issue of new shares or convertible securities. In comparison to a rights issue, (i) bank borrowings would result in additional interest burden and higher gearing ratio of the Group; (ii) issue of new shares or convertible securities would be difficult due to the current market condition and the Company has yet to identify suitable potential investors. In view of the above, the Board considers that raising funds by way of the Rights Issue is more cost effective, efficient and beneficial to the Company and its Shareholders as a whole as compared to raising fund by any other means.

Based on the minimum net proceeds of approximately HK\$350.6 million, the estimated net price per Rights Share will be approximately HK\$0.096.

WARNING OF THE RISKS OF DEALING IN SHARES AND THE NIL-PAID RIGHTS SHARES

Shareholders and potential investors should note that the Rights Issue is conditional upon, among other conditions, the obligations of the Underwriters under the Underwriting Agreement having become unconditional and the Underwriters not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares and/or nil-paid Rights 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, 25 January 2017 and that dealings in the Shares and/or nil-paid Rights Shares will take place while the conditions to which the Underwriting Agreement are subject to remain unfulfilled. Any Shareholder or other person dealing in the Shares and/or nil-paid Rights Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be at 4:00 p.m. on Friday, 24 February 2017), will

accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholder or other person contemplating to sell or purchase any Shares and/or nil-paid Rights Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

EXPECTED TIMETABLE

Set out below is the expected timetable for the Increase in Authorised Share Capital and the Rights Issue:

Event	2017
Expected date of despatch of the Circular with the notice and form of proxy of the EGM	Thursday, 5 January
Latest time for lodging transfers of Shares in order to qualify for attendance and voting at the EGM	4:30 p.m. Monday, 16 January
Register of members closes (both dates inclusive)	Tuesday, 17 January to Monday, 23 January
Latest time for lodging form of proxy of the EGM	11:30 a.m. on Saturday, 21 January
Record date for attendance and voting at the EGM	Monday, 23 January
Expected date and time of the EGM	11:30 a.m. on Monday, 23 January
Announcement of results of the EGM	Monday, 23 January
Effective date of the Increase in Authorised Share Capital	Monday, 23 January
Last day of dealings in the Shares on cum-rights basis	Tuesday, 24 January
First day of dealings in the Shares on ex-rights basis	Wednesday, 25 January
Latest time for lodging transfers of Shares in order to qualify for the Rights Issue	4:30 p.m. on Thursday, 26 January
Register of members closes (both dates inclusive)	Friday, 27 January to Wednesday, 8 February
Record Date for Rights Issue	Wednesday, 8 February

Event**2017**

Register of members re-opens	Thursday, 9 February
Despatch of Prospectus Documents	Thursday, 9 February
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Monday, 13 February
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Wednesday, 15 February
Last day of dealings in nil-paid Rights Shares	4:00 p.m. on Monday, 20 February
Latest time for acceptance and payment for the Rights Shares and application for excess Rights Shares	4:00 p.m. on Thursday, 23 February
Latest time for termination of the Underwriting Agreement	4:00 p.m. on Friday, 24 February
Announcement of the allotment results of the Rights Issue	Thursday, 2 March
Despatch of share certificates for fully-paid Rights Shares and refund cheques (if any)	Friday, 3 March
Expected first day of dealings in fully-paid Rights Shares	9:00 a.m. on Monday, 6 March

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 Rights Issue are indicative only and may be extended or varied by agreement between the Company and the Underwriters.

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 Thursday, 23 February 2017 if on such day there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning:

- (i) in force in Hong Kong at any time before 12:00 noon and no longer in force after 12:00 noon, and will be extended to 5:00 p.m. on the same Business Day;

(ii) in force in Hong Kong at any time between 12:00 noon and 4:00 p.m., and will be extended to the next Business Day.

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

The Company has not conducted any fund raising activities in the past twelve months immediately preceding the date of this announcement.

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 43,317,018 Shares; and (ii) the Convertible Note with outstanding principal amount of HK\$20,000,000 which is convertible into a maximum of 73,529,411 Shares at a prevailing conversion price of HK\$0.272 per conversion share. The Rights Issue 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.

GEM 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.

Rights Issue

In accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on approval by the Independent Shareholders by way of poll at the EGM at 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 Rights Issue and the transactions contemplated thereunder.

As at the date of this announcement,

- (i) the Company does not have any controlling shareholder;
- (ii) each of (i) Dr. Cheung, an executive Director; and (ii) Biochem Investments (a company wholly owned by Dr. Cheung) holds 80,645,400 Shares and 62,664,000 Shares respectively;
- (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 Dr. Cheung and Biochem Investments and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue and the transactions contemplated thereunder in accordance with Rule 10.29(1) of the GEM Listing Rules.

The Independent Board Committee and the 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 Rights Issue, whether the terms are fair and reasonable and whether it is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders how to vote, taking into account the recommendations of Gram Capital. With the approval of the Independent Board Committee, 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 purpose of considering and if thought fit approving, among other things, the Increase in Authorised Share Capital and the Rights Issue and the transactions contemplated thereunder.

The Circular containing, among other things, (i) further details about the Increase in Authorised Share Capital and the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder; (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders on the Rights Issue and the transactions contemplated thereunder; and (iv) the notice convening the EGM, is expected to be despatched to the Shareholders on or before Thursday, 5 January 2017.

The register of members of the Company will be closed from Tuesday, 17 January 2017 to Monday, 23 January 2017 (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 4:30 p.m. on Monday, 16 January 2017.

Upon approval of the Rights Issue 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 Rights Issue will be despatched to the Qualifying Shareholders on the Prospectus Posting Date and the Prospectus (without the PAL(s) and EAF(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 to it under the Takeovers Code
“associate”	has the meaning as ascribed to it under the GEM Listing Rules
“Biochem Investments”	Biochem Investments Limited, a company incorporated in the British Virgin Islands with limited liability, 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 general 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 Rights Issue and the transactions contemplated thereunder
“close associate”	has the meaning as ascribed to it 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 (Stock code: 8200)

“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong
“connected person”	has the meaning as ascribed to it under the GEM Listing Rules
“controlling shareholder”	has the meaning as ascribed to it 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\$0.272 per conversion share (subject to adjustment(s)) as at the date of the Underwriting Agreement, as amended from time to time
“core connected person”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“Director Options”	Outstanding Options held by Mr. Mui which entitles him to subscribe for an aggregate of 18,211,359 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 unconditional undertaking given by Dr. Cheung in favour of the Company and the Underwriters on 2 December 2016, details of which are set out in the section headed “Proposed Rights Issue” in this announcement
“Excess Application Form(s) or “EAF(s)”	the form(s) of application for excess Rights Shares, being in such final form to be agreed between the Company and the Underwriters
“EGM”	the extraordinary general meeting of the Company to be convened and held at 11:30 a.m. on Monday, 23 January 2017 (or any adjournment thereof) for purpose of approving among other things, the Increase in Authorised Share Capital, the Rights Issue and the transactions contemplated thereunder
“Excluded Shareholder(s)”	the Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary or expedient not to offer the Rights Shares to such Shareholder(s) 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 嘉林資本有限公司, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	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\$100,000,000 divided into 5,000,000,000 Shares to HK\$400,000,000 divided into 20,000,000,000 Shares by the creation of 15,000,000,000 additional Shares
“Independent Board Committee”	the independent board committee of the Board comprising all of the independent non-executive Directors, established for the purpose of advising and giving recommendation to the Independent Shareholders in respect of the Rights Issue
“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”	Friday, 2 December 2016, being the last trading day of the Shares on the Stock Exchange before the release of this announcement
“Latest Acceptance Date”	Thursday, 23 February 2017 or such later date as may be agreed between the Company and the Underwriters in writing and described as the latest date for acceptance of the Rights Shares as described in the Prospectus Documents
“Latest Time for Acceptance”	4:00 p.m. on Thursday, 23 February 2017 or such later time or date as may be agreed between the Company and the Underwriters in writing, being the latest time for application and payment for the Rights Shares and the application and payment for the excess Rights Shares as described in the Prospectus Documents

“Latest Time for Termination”	4:00 p.m. on Friday, 24 February 2017, being the first Business Day after the Latest Time for Acceptance (or such later time or date as the Underwriters and the Company may agree in writing)
“Management Options”	Outstanding Options held by Ms. Kwan which entitles her to subscribe for an aggregate of 18,211,359 Shares as at the date of this announcement
“Mr. Mui”	Mr. Mui Wai Sum, an executive Director
“Mr. Mui’s Undertaking”	the irrevocable and unconditional undertaking given by Mr. Mui in favour of the Company and the Underwriters on 2 December 2016, details of which are set out in the section headed “Proposed Rights Issue” in this announcement
“Ms. Kwan”	Ms. Kwan Fei Ying, the Chief Executive Officer of the Company
“Ms. Kwan’s Undertaking”	the irrevocable and unconditional undertaking given by Ms. Kwan in favour of the Company and the Underwriters on 2 December 2016, details of which are set out in the section headed “Proposed Rights Issue” in this announcement
“Outstanding Options”	share options granted by the Company under the Share Option Schemes which entitle the holders thereof to subscribe for up to an aggregate 43,317,018 Shares as at the date of this announcement
“Overseas Shareholder(s)”	the Shareholder(s) with registered address(es) on the register of members of the Company which are outside Hong Kong on the Record Date
“PAL(s)”	the renounceable provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue in such form as may be agreed between the Company and the Underwriters
“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 expected to be issued by the Company relating to the Rights Issue and despatched to the Shareholders on the Prospectus Posting Date containing details of the Rights Issue in such form as may be agreed between the Company and the Underwriters

“Prospectus Documents”	the Prospectus, PAL(s) and EAF(s)
“Prospectus Posting Date”	Thursday, 9 February 2017 or such other date as the Underwriters 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 members of the Company at the close of business on the Record Date, other than the Excluded Shareholder(s)
“Record Date”	Wednesday, 8 February 2017 or such other date as may be agreed between the Company and the Underwriters in writing for the determination of the entitlements under the Rights Issue
“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, Hong Kong
“Rights Issue”	the proposed issue of two (2) Rights Shares for every one (1) Share in issue held on the Record Date at the Subscription Price pursuant to the Prospectus Documents and as contemplated under the Underwriting Agreement
“Rights Share(s)”	the Share(s) proposed to be offered to the Qualifying Shareholders pursuant to the Rights Issue
“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 HK\$0.02 each in the share capital of the Company
“Share Option Schemes”	the share option schemes adopted by the Shareholders on 4 November 2003 and 23 February 2016
“Shareholder(s)”	the holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.10 per Rights Share

“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriters”	collectively, Head & Shoulders Securities Limited (聯合證券有限公司) and RaffAello Securities (HK) Limited, each of which is a licensed corporation to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO; and “Underwriter” shall mean any of them
“Underwriting Agreement”	the underwriting agreement dated 2 December 2016 entered into between the Company and the Underwriters in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	the Rights Shares (being not less than 3,642,271,908 Rights 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 3,656,060,508 Rights 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 and the Management 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, 2 December 2016

As at the date of this announcement, the Board comprises executive directors namely Dr. Cheung Yuk Shan, Shirley (Chairman) and Mr. Mui Wai Sum; non-executive director namely Mr. Takashi Togo; independent non-executive directors namely Mr. Hong Po Kui, Martin, 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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and 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 of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company’s website at www.sausantong.com.