
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Sau San Tong Holdings Limited, you should at once hand this circular together with the enclosed form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee. This circular appears for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

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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) CLOSURE OF REGISTER OF MEMBERS;
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial adviser to the Company



Akron Corporate Finance Limited
亞貝隆資本有限公司

Underwriters of the Rights Issue



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



Securities (HK) Ltd

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



Gram Capital Limited

嘉林資本有限公司

A letter from the Board is set out on pages 13 to 41 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on pages 42 to 43 of this circular. A letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 44 to 58 of this circular.

A notice convening the EGM to be held at 16th Floor, Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong at 11:30 a.m. on Monday, 23 January 2017 is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the EGM is enclosed.

Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire and in such event the instrument appointing a proxy shall be deemed to be revoked.

The Rights Issue is subject to the satisfaction of certain conditions as described under the section headed "Conditions of the Rights Issue". In particular, it is subject to the Underwriters not terminating the Underwriting Agreement (see the section headed "Termination of the Underwriting Agreement" herein) on or before the Latest Time for Termination. Accordingly, the Rights Issue may or may not become unconditional and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and/or nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled.

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CHARACTERISTIC OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

DEFINITIONS

In this circular, 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
“Announcement”	the announcement of the Company dated 2 December 2016 in relation to, among other things, the Increase in Authorised Share Capital and the Rights Issue
“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
“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

DEFINITIONS

“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 was convertible into Shares at the then prevailing conversion price of HK\$0.272 per conversion share (subject to adjustment(s)) as at the date of the Underwriting Agreement. The Convertible Note matured on 20 December 2016
“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 entitled him to subscribe for an aggregate of 18,211,359 Shares as at the Latest Practicable Date
“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 the Letter from the Board in this circular
“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

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened and held at 16th Floor, Prosperity Tower, 39 Queen’s Road Central, Central, Hong Kong at 11:30 a.m. on Monday, 23 January 2017 (or any adjournment thereof) for the purpose of considering and, if thought fit, 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, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and 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

DEFINITIONS

“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 the 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 Practicable Date”	30 December 2016, being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information contained herein
“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 entitled her to subscribe for an aggregate of 18,211,359 Shares as at the Latest Practicable Date
“Ms. Kwan”	Ms. Kwan Fei Ying, the chief executive officer of the Company

DEFINITIONS

“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 the Letter from the Board in this circular
“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 the Letter from the Board in this circular
“Outstanding Options”	share options granted by the Company under the Share Option Schemes which entitled the holders thereof to subscribe for up to an aggregate 43,317,018 Shares as at the Latest Practicable Date
“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 circular, 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)

DEFINITIONS

“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 respectively
“Shareholder(s)”	the holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“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.

EXPECTED TIMETABLE

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

Event	2017
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
Register of members re-opens.	Thursday, 9 February
Despatch of Prospectus Documents	Thursday, 9 February

EXPECTED TIMETABLE

Event	2017
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 circular refer to Hong Kong local times and dates. Shareholders should note that the dates and deadlines specified in this circular 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; and

EXPECTED TIMETABLE

- (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 circular may be affected. Announcement(s) will be made by the Company on any change to the expected timetable, as and when appropriate.

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

TERMINATION OF THE UNDERWRITING AGREEMENT

- (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 rescind the Underwriting Agreement as described above, the Rights Issue will not proceed.

LETTER FROM THE BOARD



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)

Executive Directors:

Dr. Cheung Yuk Shan, Shirley (*Chairman*)

Mr. Mui Wai Sum

Non-executive Director:

Mr. Takashi Togo

Independent non-executive Directors:

Mr. Hong Po Kui, Martin

Ms. Chiu Kam Hing, Kathy

Mr. Lau Wai Leung, Alfred

Registered Office:

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

Head office and principal

place of business:

16th Floor

Prosperity Tower

39 Queen's Road Central

Central, Hong Kong

5 January 2017

To the Shareholders

Dear Sir or Madam,

- (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;
AND
(3) CLOSURE OF REGISTER OF MEMBERS**

INTRODUCTION

Reference is made to the Announcement in relation to the Increase in Authorised Share Capital and the Rights Issue.

* for identification purpose only

LETTER FROM THE BOARD

The purpose of this circular is to provide the Shareholders with (i) further details of 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 of the EGM.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company was 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 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 Latest Practicable Date, the Board had 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; and (ii) 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.

LETTER FROM THE BOARD

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 Latest Practicable
Date: 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 Latest Practicable Date up to and including the Record Date.

LETTER FROM THE BOARD

- (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 Latest Practicable Date up to and including the Record Date.

As at the Latest Practicable Date, there were Outstanding Options which entitled 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 were 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).

Prior to the maturity of the Convertible Note on 20 December 2016, the outstanding principal amount of the Convertible Note was HK\$20,000,000 which was convertible into 73,529,411 Shares at the then prevailing conversion price. As at the date of the Underwriting Agreement, Dr. Cheung has given the Dr. Cheung's Undertaking pursuant to which she has irrevocably and unconditionally undertaken to the Company and the Underwriters that she would not transfer or otherwise dispose of any of her interest in the Convertible Note and would 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. As at the Latest Practicable Date, the Convertible Note had matured. For further details of the outstanding amount due to Dr. Cheung from the Group under the Convertible Note, please refer to the section headed "Reasons for the Rights Issue and the use of proceeds — Repayment of outstanding amount due to Dr. Cheung under the Convertible Note" in this Letter from the Board.

Save for the above, as at the Latest Practicable Date, the Board had 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.

LETTER FROM THE BOARD

Save for the Outstanding Options, the Company did not have other derivatives, outstanding convertible securities, options or warrants in issue which conferred any right to subscribe for, convert or exchange into any Shares as at the Latest Practicable Date. 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 Latest Practicable Date 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 Latest Practicable Date; 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 Latest Practicable Date 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 Latest Practicable Date; 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.

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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;
- (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;
- (d) a premium of approximately 9.9% over the closing price of HK\$0.091 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (e) a discount of approximately 69.1% to the unaudited consolidated net asset value per Share of approximately HK\$0.3237 as at 30 September 2016 (based on 1,821,135,954 Shares in issue as at the Latest Practicable Date).

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 (including the independent non-executive Directors) 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.

LETTER FROM THE BOARD

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.

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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.

As at the Latest Practicable Date, other than condition (f), none of the above conditions had been fulfilled.

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.

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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.

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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.

As at the Latest Practicable Date, there was no Overseas Shareholder whose address as shown on the register of members of the Company was outside Hong Kong. The Company will continue to ascertain whether there are any Overseas Shareholders on the Record Date and will, if necessary, make further enquiries regarding the feasibility of extending the Rights Issue to such Overseas Shareholders.

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.

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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.

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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

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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

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- (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 were 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 (including the independent non-executive Directors) 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.

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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 Latest Practicable Date; 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 Latest Practicable Date up to and including the Record Date:

Shareholders	Immediately after completion of the Rights Issue					
	As at the Latest Practicable Date and up to the Record Date		Assuming all the Rights Shares are subscribed for by the Qualifying Shareholders and there is no Excluded Shareholder		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	80,645,400	4.43	241,936,200	4.43	80,645,400	1.48
Biochem Investments (Note 2)	62,664,000	3.44	187,992,000	3.44	62,664,000	1.15
<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 and Sub-underwriter(s) (Note 3):						
Head & Shoulders Securities Limited	—	—	—	—	422,271,908	7.73
RaffAello Securities (HK) Limited	—	—	—	—	500,000,000	9.15
Sun Securities Limited	—	—	—	—	300,000,000	5.49
Great Roc Capital Securities Limited	—	—	—	—	500,000,000	9.15
Supreme China Securities Limited	—	—	—	—	1,000,000,000	18.30
Gransing Securities Co., Limited	—	—	—	—	500,000,000	9.15
SBI China Capital Financial Services Limited	—	—	—	—	170,000,000	3.11
China Times Securities Limited	—	—	—	—	150,000,000	2.75
China Industrial Securities International Brokerage Limited	—	—	—	—	100,000,000	1.83
	1,821,135,954	100.00	5,463,407,862	100.00	5,463,407,862	100.00

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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 Latest Practicable Date up to and including the Record Date:

Shareholders	As at the Latest Practicable Date 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 Shareholder		Assuming the Underwriters take up all the Rights Shares	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
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>	143,309,400	7.87	143,309,400	7.84	429,928,200	7.84	143,309,400	2.61
Other public Shareholders and holders of the Outstanding Options (other than the Directors Options and the Management 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 and Sub-underwriters (Note 3):								
Head & Shoulders Securities Limited	—	—	—	—	—	—	436,060,508	7.95
RaffAello Securities (HK) Limited	—	—	—	—	—	—	500,000,000	9.12
Sun Securities Limited	—	—	—	—	—	—	300,000,000	5.47
Great Roc Capital Securities Limited	—	—	—	—	—	—	500,000,000	9.12
Supreme China Securities Limited	—	—	—	—	—	—	1,000,000,000	18.23
Gransing Securities Co., Limited	—	—	—	—	—	—	500,000,000	9.12
SBI China Capital Financial Services Limited	—	—	—	—	—	—	170,000,000	3.10
China Times Securities Limited	—	—	—	—	—	—	150,000,000	2.74
China Industrial Securities International Brokerage Limited	—	—	—	—	—	—	100,000,000	1.82
	1,821,135,954	100.00	1,828,030,254	100.00	5,484,090,762	100.00	5,484,090,762	100.00

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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. 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.
5. As at the Latest Practicable Date, the Underwriters had entered into sub-underwriting agreements with seven sub-underwriters, all being securities brokerage firms, for an aggregate sub-underwriting commitment of 2,720,000,000 Rights Shares. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the seven sub-underwriters and its respective ultimate beneficial owners (if applicable) are third parties independent of and not connected with the Company and its connected persons.

The Underwriters have confirmed to the Company that the parties to the respective sub-underwriting agreements have undertaken to put in place relevant arrangements as described in note 3 above in accordance with the terms and conditions of the Underwriting Agreement.

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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 outstanding amount due to Dr. Cheung under the Convertible Note; (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; 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. In view of the economic development of Shenzhen, the Group is optimistic about the prospect of the property market in Shenzhen. The Group considers the property market in Shenzhen will deliver attractive return in terms of capital gain. 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. In respect of the HK Residential Property, according to the

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information provided by property agent, property in the same housing estate with the HK Residential Property is expected to generate monthly rental income of around HK\$14 to HK\$17 per square feet. Based on this calculation, the HK Residential Property is expected to generate monthly income of around HK\$35,000 to HK\$42,000, representing rental yield of approximately 2.47% to 2.96% per annum. 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 Group plans to use the PRC Commercial Property as the Group's flagship beauty and slimming centre in Shenzhen and a training centre for the Group's franchise business in the PRC. The Group previously rented premises for its beauty and slimming centres in the PRC and hence there is risk of non-renewal of lease term upon expiry of each lease term. In addition, rental expenses are incurred. In order to have longer term planning, the Group decided to acquire commercial properties in the PRC so as to minimize the risk of the lease being terminated and incurring relocation costs as well as potential rental increment. In this connection, the intended acquisition of the PRC Commercial Property will save future rental expenses of the Group. In addition, with the PRC Commercial Property being a self-owned property of the Group, the Group can devote more efforts towards design and decoration of this new flagship beauty and slimming centre and training centre in order to strengthen the market presence and brand awareness of the Group in the PRC.

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.

The Group will comply with the applicable GEM Listing Rules requirements in respect of the proposed acquisition of the PRC Commercial Property and the HK Residential Property and the Company will make further announcement in relation to such proposed acquisitions as and when appropriate.

Repayment of outstanding amount due to Dr. Cheung under the Convertible Note

The Convertible Note matured on 20 December 2016 ("**CN Maturity Date**") and the conversion rights attached to the Convertible Note has lapsed immediately following its maturity. All interest accrued thereon had been paid by the Company to Dr. Cheung. Pursuant to an undertaking given by Dr. Cheung in favour of the Company on 20 December 2016 ("**CN Undertaking**"), Dr. Cheung has undertaken to the Company

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that she would not demand the Company for repayment of the amount owed to her under the Convertible Note as at the CN Maturity Date (i.e. in an aggregate amount of HK\$20,000,000) (“**Outstanding Amount**”) until 20 March 2017 (“**Final Payment Date**”). It was confirmed in the CN Undertaking that (i) the Outstanding Amount would bear an interest of 2% per annum and would remain outstanding as an unsecured loan; and (ii) the failure to redeem the principal amount of the Convertible Note in full did not constitute an event of default under the terms and conditions of the Convertible Note. It should be noted that the terms of the Convertible Note have not been altered in this respect. Given that the Outstanding Amount remains as an unsecured loan on normal commercial terms, such loan constitutes an exempt connected transaction under Rule 20.88 of the GEM Listing Rules. In light of such arrangement, the Company intends to apply net proceeds from the Rights Issue of approximately HK\$20.0 million for repayment of the Outstanding Amount in full on or before the Final Payment Date. The Board considers that repayment of the Outstanding Amount can improve the financial position of the Group.

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 provided both secured and unsecured loans with terms ranging from several months to 1 year. For unsecured loans, the Group’s targeted corporations and individuals are small to medium sized corporations which include both listed and non-listed corporations and businessmen in various industries. For secured loans, the Group’s targeted corporations and individuals are those with properties for mortgage. 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 recurrent loans that are lent to existing customers who have repaid all the outstanding balance of previous loans borrowed and 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

LETTER FROM THE BOARD

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 generated revenue of approximately HK\$20.1 million from its securities investment business which represented approximately 63.4% of the 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, (i) the size of the current investment portfolio of the Group; (ii) the targeted average investment amount for each investment product of approximately HK\$5.0 million; (iii) the trading performance of the investments of the Company; and (iv) the business plan of the Company and the prevailing market situations. As at 30 November 2016, the investment portfolio of the Group comprising 13 listed securities investment has

LETTER FROM THE BOARD

an initial investment cost of approximately HK\$86.4 million in aggregate. The investment portfolio of the Group as at 30 November 2016 had a total market value of approximately HK\$136.1 million and consisted of 13 securities investment in listed companies in Hong Kong. The principal business sectors of the aforesaid listed investees mainly cover (i) manufacturing and trading sector; (ii) real estate sector; (iii) financial sector; (iv) construction sector; and (v) natural resources and commodities sector. 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. As at the Latest Practicable Date, the Group's main investment strategy was to invest in the securities of Hong Kong listed companies.

The Group uses multi-strategies in selecting the securities to invest. Strategies include fundamental driven investment strategies where the Group will invest in companies with strong fundamentals, such as companies with potential or record of profit growth, strong management, high levels of technical expertise and research and development capabilities as well as management commitment to the long-term growth, with the aim to achieve capital appreciation. In addition, the Group also uses technical analysis to identify securities which are expected to have upward price momentum.

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.

LETTER FROM THE BOARD

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; and (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.

LETTER FROM THE BOARD

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.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company had not conducted any fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

RISK FACTORS

In compliance with the GEM Listing Rules, the Company sets out below the risk factors of the Group for the Shareholders' attention. The Directors believe that there are certain risks involved in the operations of the Group which includes, but is not limited to, the following:

Risks relating to the Group's normal course of business

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business.

Risks relating to health and beauty product sales

The health and beauty product market is highly fragmented and is characterised by frequent changes in customers' needs and behaviours upon introduction of new products. The customers are tempted to shift their choices and preferences whenever there are new products launched or induced by various marketing and pricing campaigns of different brands. The Group's business may be adversely affected by such operating environment. In the event that the Group fails to introduce new products to meet changing preferences of its customers and gain market acceptance, its future growth and prospects may be materially and adversely affected. The Group may also have to entail substantial investment in marketing and promotion to gain market acceptance of its new products.

LETTER FROM THE BOARD

In addition, the Group may be subject to product liability claims arising from the use of its products. A successful product liability claim brought against the Group or a requirement to participate in any product recall may have a material adverse effect on the Group's businesses and financial results. The Group's reputation may also be adversely affected if any such claims are made.

Risks relating to competition

The health and beauty business is under rigorous competition throughout the world. There is no assurance that the Group will be able to anticipate the timing and scale of its competitors' activities and initiatives or to successfully counteract them, which could harm the business of the Group. Increased competition and the need for the Group to respond to activities of competitors could generate additional pricing pressure, result in price reduction and reduced profit margins and/or loss of market share, any of which could adversely affect the Group's operating results. A failure to compete effectively could materially and adversely affect the growth, profitability and operation of the Group.

Risks relating to the global market

Although the Group's business is principally based in Hong Kong and the PRC, their economic conditions are susceptible to global market fluctuations. Meanwhile, the weakness in the global economy has persisted and risks have become more pronounced. The growth of the Gross Domestic Products of the PRC for year 2015 was only 6.9%, which was a new low for the past 20 years. If the economic growth of the PRC or the global economic condition worsens, the business operations of the Group may be materially and adversely affected.

Risks relating to the Group's reliance on major suppliers

For the years ended 31 March 2014, 2015 and 2016, purchases by the Group from the top five suppliers amounted to approximately 97.16%, 98.61% and 99.78% of the Group's costs of sales respectively, and purchases by the Group from the largest supplier included therein amounted to approximately 93.56%, 98.54% and 99.78% respectively. In the event that the Company is unable to secure further purchases from any of these suppliers and the Company cannot find comparable substitutes, the Group's operations may be adversely affected.

LETTER FROM THE BOARD

Risks relating to securities investment business

The securities investment business of the Group is directly affected by the inherent risks associated with the securities markets, such as market volatility, fluctuations in the trading volume and the credit capacity or perceived credit worthiness of the securities industry in the marketplace. The securities investment business is also subject to general economic and political conditions, such as macro-economic and monetary policies, legislation and regulations affecting the financial and securities industries, upward and downward trends in the business and financial sectors, inflation, currency fluctuations, availability of short-term and long-term market funding sources, cost of funding and the level and volatility of interest rates.

Any sudden downturn in the securities markets may adversely affect the market sentiment in general which would in turn adversely affect the fair value of the investment portfolio of the Group and the performance of the securities investment business.

The performance of the Group's securities investment business is also determined by the Group's investment decisions and judgments based on the Group's assessment of existing and future market conditions. The Group will closely monitor the market value and financial performance of its investment portfolio, and actively adjust such portfolio and allocate assets based on market conditions and internal risk management guidelines. However, the Group's investment decisions are a matter of judgment, which involves management discretion and assumptions. If the decision-making process fails to effectively minimise losses while capturing gains, or the forecasts do not conform to actual changes in market conditions, the securities investment business may not achieve the investment returns as anticipated, and the Group could suffer losses.

Risks relating to the Group's money lending business

The Group has already obtained a licence to conduct money lending business in Hong Kong under the provisions of the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The money lending business is subject to risks that a borrower or counterparty may fail to perform its contractual obligations or that the value of collateral security held to secure such obligations may be inadequate. While the Group has adopted internal policies and procedures upon commencement of the money lending business to manage such risks, these policies and procedures may not be fully effective. Any material non-payment or non-performance by a borrower or counterparty could adversely affect the financial position, results of operations and cash flows of the Group.

LETTER FROM THE BOARD

ADJUSTMENTS IN RELATION TO THE OUTSTANDING OPTIONS

As at the Latest Practicable Date, there were Outstanding Options granted under the Share Option Schemes entitling the holders thereof to subscribe for up to an aggregate of 43,317,018 Shares. The Rights Issue may cause adjustments to the exercise price of the Outstanding Options and/or the number of Shares to be allotted and issued upon exercise of the Outstanding Options. 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 Latest Practicable Date,

- (i) the Company did 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) held 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 held any Shares.

LETTER FROM THE BOARD

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 notice convening the EGM to be held at 16th Floor, Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong, Hong Kong at 11:30 a.m. on Monday, 23 January 2017 is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Registrar, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire and in such event the instrument appointing a proxy shall be deemed to be revoked.

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.

LETTER FROM THE BOARD

RECOMMENDATION

The Board considers that the Increase in Authorised Share Capital is fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM in relation to the Increase in Authorised Share Capital.

The Directors (including the independent non-executive Directors) consider that the terms of the Rights Issue are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM in relation to the Rights Issue.

The Independent Board Committee comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the EGM. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Shareholders are advised to read carefully the letter from the Independent Board Committee on pages 42 to 43 of this circular. The Independent Board Committee, having taken into account the advice of Gram Capital, the text of which is set out on pages 44 to 58 of this circular, considers that the terms of the Rights Issue and the Underwriting Agreement are fair and reasonable insofar as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to approve the Rights Issue and the Underwriting Agreement at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

5 January 2017

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company dated 5 January 2017 (“**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed by the Board as the members of the Independent Board Committee, to advise the Independent Shareholders as to whether, in our opinion, the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned.

Details of the Rights Issue are set out in the “Letter from the Board” on pages 13 to 41 of the Circular. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in respect of the terms of the Rights Issue. Details of its advice, together with the principal factors taken into consideration in arriving thereat, are set out in its letter on pages 44 to 58 of the Circular.

* for identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Rights Issue, taking into account the information contained in the Circular and the advice of Gram Capital, we are of the opinion that the terms of the Rights Issue are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution approving the Rights Issue at the EGM.

Yours faithfully,

The Independent Board Committee

Mr. Hong Po Kui, Martin Ms. Chiu Kam Hing, Kathy Mr. Lau Wai Leung, Alfred
Independent non-executive Directors

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

5 January 2017

To: The independent board committee and the independent shareholders of Sau San Tong Holdings Limited

Dear Sirs,

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 RIGHTS SHARES FOR EVERY ONE SHARE IN ISSUE HELD ON THE RECORD DATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 5 January 2017 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

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 Rights Shares for every one Share held on the Record Date.

LETTER FROM GRAM CAPITAL

According to the Board Letter, 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 is no controlling shareholder, 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 Latest Practicable Date, (i) the Company did not have any controlling shareholder; (ii) each of Dr. Cheung, an executive Director and Biochem Investments (a company wholly owned by Dr. Cheung) held 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 held 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 comprising Mr. Hong Po Kui, Martin, Mr. Lau Wai Leung, Alfred and Ms. Chiu Kam Hing, Kathy (all being independent non-executive Directors) has been established to advise the Independent Shareholders (i) as to whether the terms of the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue is in the interests of the Company and the Shareholders as a whole; and (ii) on how to vote in relation to the Rights Issue at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to

LETTER FROM GRAM CAPITAL

us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/ arrangements or implied understanding with anyone concerning the Rights Issue. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 17.92 of the GEM Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular 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 in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Underwriters or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Rights Issue. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

LETTER FROM GRAM CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Rights Issue, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Rights Issue

Business and financial overview of the Group

With reference to the Board Letter, 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.

Set out below are the consolidated financial information of the Group for the two years ended 31 March 2016 and the six months ended 30 September 2016 as extracted from the annual report of the Company for the year ended 31 March 2016 (the “**2016 Annual Report**”) and the interim report of the Company for the six months ended 30 September 2016, respectively:

	For the six months ended 30 September 2016 (unaudited) HK\$'000	For the year ended 31 March 2016 (audited) HK\$'000	For the year ended 31 March 2015 (audited) HK\$'000	Year on year change %
Turnover	1,101,702	1,693,550	1,548,256	9.38
Gross Profit	135,478	184,423	212,642	(13.27)
Profit for the period/year	25,226	4,588	37,994	(87.92)
	As at 30 September 2016 (unaudited) HK\$'000	As at 31 March 2016 (audited) HK\$'000	As at 31 March 2015 (audited) HK\$'000	Year on year change %
Cash and cash equivalents	136,777	263,867	182,953	44.23
Net assets	589,520	552,783	385,295	43.47

LETTER FROM GRAM CAPITAL

As illustrated by the above table, despite that the Group recorded an increase of approximately 9.38% in turnover for the year ended 31 March 2016 (“FY2016”) as compared to the year ended 31 March 2015 (“FY2015”), gross profit for the FY2016 decreased by approximately 13.27% as compared to FY2015. With reference to the 2016 Annual Report, the decrease in gross profit is mainly due to a lower margin in the product distribution business and decrease in revenues from securities investments. The profit of the Group also decreased from approximately HK\$37.99 million for FY2015 to approximately HK\$4.59 million for FY2016.

With reference to the 2016 Annual Report, the Group is in face of a highly challenging operating environment in which it will strive to capture business opportunities available. The Group will continue to examine the situation carefully and adjust the Group’s development and investment strategies in the effort of diversifying its business, which in turn will enable the Group to respond to the ever-changing market environment and maximise the interests of the Group and its shareholders as a whole.

As also advised by the Directors, parallel to its focus on the beauty and slimming business, the Group will also identify new investment opportunities, including appropriate and timely investments in securities and properties, with the objectives of generating additional return, broadening its revenue base, enhancing the efficiency of capital use and further promoting the performance of the Group in different areas. The Group will meticulously select sound investments with high return potentials.

Reasons for the Rights Issue and intended use of proceeds

With reference to the Board Letter, 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 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.

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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 outstanding amount due to Dr. Cheung under the Convertible Note;
- (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.

Details of the use of proceeds were set out under the section headed "REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS" of the Board Letter.

Having considered the followings:

- (i) the purposes of the intended investment in properties are (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. Hence, the investment in properties could enhance the operating results of the Group in the mid to long term;
- (ii) the repayment of the outstanding amount due to Dr. Cheung under the Convertible Note can improve the financial position of the Group;
- (iii) the net proceeds from the Rights Issue can facilitate the development of the Group's money lending business as strong cash flow and financial capability are fundamental factors for the money lending business to operate successfully;
- (iv) the renovation of offices and shops of the Group may improve customer experience and hence improve the operating results of the Group; and

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- (v) 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,

we consider that the reasons for the Rights Issue are justifiable.

Financing alternatives available to the Group

With reference to the Board Letter and as confirmed by the Directors, the Company has not conducted any equity fund raising activities in the past 12 months immediately preceding the Latest Practicable Date.

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; and (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.

Having taken into consideration the aforesaid weaknesses and difficulty of the other financing alternatives and the possible benefits of the Rights Issue, we concur with the Directors that the Rights Issue is an appropriate financing method currently available to the Company and we also consider the Rights Issue to be in the interests of the Company and the Shareholders as a whole.

LETTER FROM GRAM CAPITAL

2. Principal terms of the Rights Issue

The following table summarises the major terms of the Rights Issue:

Basis of the Rights Issue:	Two Rights Shares for every one Share in issue held on the Record Date
Subscription Price:	HK\$0.10 per Rights Shares
Number of Shares in issue as at the Latest Practicable Date:	1,821,135,954 Shares
Number of Rights Issue:	Not less than 3,642,271,908 Rights Shares and not more than 3,656,060,508 Rights Shares
Funds proposed to be raised:	Not less than approximately HK\$364.2 million before expenses and not more than approximately HK\$365.6 million before expenses
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 Subscription Price represents:

- (a) a premium of approximately 9.9% over the closing price of HK\$0.091 per Share as quoted on the Stock Exchange on the Last Practicable Date;
- (b) 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 (the “**LTD Premium**”);
- (c) 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

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- (d) a premium of approximately 1.7% over the theoretical ex-right 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 “**TERP Premium**”).

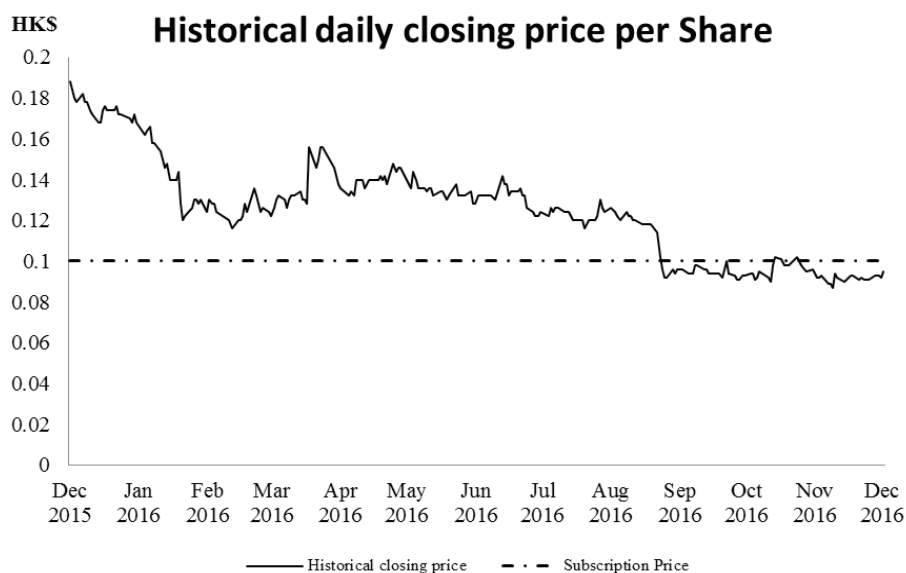
With reference to the Board Letter, the Subscription Price was arrived at after arm’s length negotiation among the Company and the Underwriters with reference to, among other things, the market price and trading liquidity of the Shares under the prevailing market conditions and the financial position of the Group.

Analysis on the Subscription Price

In order to assess the fairness and reasonableness of the Subscription Price, we set out the following informative analysis for illustrative purpose:

Review on Share price performance

The diagram demonstrating the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 1 December 2015 up to and including the Last Trading Day (the “**Review Period**”) (being a period of approximately one year prior to and including the Last Trading day, which is commonly used for analysis purpose) is shown as follows:



Source: the Stock Exchange’s web-site (www.hkex.com.hk)

Note:

The closing prices of Shares from 1 December 2015 to 22 September 2016 had been adjusted for the effect of the open offer on the basis of one offer share for every one share held on the record date, as announced by the Company on 7 July 2015.

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As illustrated by the above diagram, the closing price of the Shares dropped from HK\$0.188 as at 1 December 2015 to HK\$0.12 as at 21 January 2016. After the fluctuation during the period from 22 January 2016 to 17 March 2016, the closing price of the Shares recovered to HK\$0.156 as at 23 March 2016. Subsequently, the closing price of the Shares showed a general downward trend until the end of August 2016 and was relatively stable thereafter. During the Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.087 per Share recorded on 9 November 2016 and HK\$0.188 per Share recorded on 1 December 2015 respectively. The Subscription Price is within the Share closing price range during the Review Period and is closer to the low-end of the said range.

Comparison with other rights issue transactions

We have searched for the rights issue transactions (the “**Comparables**”) which were announced from 1 November 2016 up to the Last Trading Day by companies listed on the Stock Exchange for comparison purpose. We consider that a sampling period of approximately one month is adequate and appropriate given that (i) such period is sufficiently recent to demonstrate the prevailing market practices prior to the Last Trading Day; and (ii) we were able to identify sufficient samples for comparison with such period. To the best of our knowledge and as far as we are aware of, we found 7 transactions which met the said criteria and they are exhaustive as far as we are aware of. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the subject companies of the Comparables and

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thus the Comparables are only used to provide a reference (which also forms part of our analysis for our opinion) for the recent common market practice of Hong Kong listed companies regarding the rights issue transactions. Summarised below is our relevant findings:

Company name	Stock code	Date of announcements	Premium/(Discount) of the subscription price to the closing price per share on the last trading days prior to/on the date of the announcements in relation to the respective rights issue %	Premium/(Discount) of the subscription price to the theoretical ex-entitlement price per share based on the closing price per share on the last trading days prior to/on the date of the announcements in relation to the respective rights issue %	Underwriting commission %
MMG Limited	1208	1 November 2016	(26.80)	(19.60)	2.75
China New Economy Fund Limited	80	4 November 2016	(31.00) <i>(Note 1)</i>	(11.50) <i>(Note 1)</i>	3.50
Victory City International Holdings Limited	539	8 November 2016	(30.56)	(22.60)	1.00
Capital VC Limited	2324	11 November 2016	(50.00) <i>(Note 2)</i>	(20.00) <i>(Note 2)</i>	1.50
Ban Loong Holdings Limited	30	14 November 2016	(25.68)	(18.70)	2.50
Enerchina Holdings Limited	622	30 November 2016/ 1 December 2016	(38.37)	(29.33)	3.00
Kaisun Energy Group Limited	8203	1 December 2016	Nil	Nil	4.00
Range			(50.00) to nil	(29.33) to nil	1.00 to 4.00
Average			(28.92)	(17.39)	2.61
The Company	8200	2 December 2016	5.30	1.70	3.00

Note:

1. *Effective subscription price which took into account the bonus shares associated with the rights issue was applied for the calculation of discount.*
2. *Adjusted for the effect of share consolidation associated with the rights issue.*

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As shown by the above table, the discount as represented by the subscription prices of the Comparables to the respective (i) closing prices of their shares on the last trading days prior to/on the date of the release of the respective rights issue announcements ranged from nil to approximately 50.00%; and (ii) theoretical entitlement prices of their shares based on the last trading days prior to/on the date of the release of the respective rights issue announcements ranged from nil to approximately 29.33%. The LTD Premium of approximately 5.30% and TERP Premium of 1.70% do not fall within the range of the Comparables.

Nevertheless, given that (i) the Subscription Price is within the Share closing price range during the Review Period and is closer to the low-end of the said range; (ii) the highest closing price of the Share as quoted on the Stock Exchange was HK\$0.188 during the Review Period; (iii) the Subscription Price with the LTD Premium and TERP Premium allows the Group to raise more capital as compared to subscription price which is set at discount, we are of the opinion that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

Application for excess Rights Shares

With reference to the Board Letter, 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. Details of the basis of allocation of excess Rights Shares are set out under the section headed “Application for excess Rights Shares” of the Board Letter.

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.

Underwriting arrangement

Pursuant to 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. The Company shall pay to the Underwriters 3% of the total Subscription Price in respect of the

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minimum number of the Rights Shares underwritten by each of the Underwriters on the Record Date (the “**Underwriting Commission**”). Details of the terms of the Underwriting Agreement are set out under the section headed “Underwriting Agreement” of the Board Letter.

From the table under the sub-section headed “Comparison with other rights issue transactions” of this letter, we noted that the commissions received by underwriters in other rights issue transactions ranged from 1 to 4% and the Underwriting Commission falls within the range. Accordingly, we are of the opinion that the Underwriting Commission is in line with market practice.

3. Possible dilution of the shareholding interests of the existing public Shareholders

Tables which demonstrate the possible shareholding structures of the Company immediately after completion of the Rights Issue are contained under the section headed “EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY” in the Board Letter.

All Qualifying Shareholders are entitled to subscribe for the Rights Issue. For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue.

In the case that all Qualifying Shareholders do not accept the Rights Issue and hence the Underwriters takes up all the Rights Shares, the shareholding interests of the existing public Shareholders in the Company will be diluted by the maximum of approximately (i) 61.42 percent points assuming that there is no change to the issued share capital of the Company from the Latest Practicable Date up to and including the Record Date; and (ii) 61.41 percent points 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 Latest Practicable Date up to and including the Record Date.

We are aware of the potential dilution effects as just mentioned. Nonetheless, we consider that the foregoing should be balanced against by the following factors:

- Independent Shareholders are offered a chance to express their views on the terms of the Rights Issue and the Underwriting Agreement through their votes at the EGM;

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- Qualifying Shareholders have their choice of whether to accept the Rights Issue or not; and
- those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue.

Having considered the above, we concur with the Directors that the potential dilution to the shareholding interests of the existing public Shareholders in the Company, which may only happen when the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares, is acceptable.

4. Possible financial effects of the Rights Issue

Unaudited pro forma statement of adjusted consolidated net tangible assets (“NTA”) of the Group as if the Rights Issue had taken place on 30 September 2016 is set out in Appendix II to the Circular (the “**Statement**”).

Based on the Statement, the unaudited consolidated NTA of the Group attributable to owners of the Company was approximately HK\$548.90 million as at 30 September 2016. According to the Statement, immediately after the completion of the Rights Issue, the unaudited pro forma adjusted consolidated NTA of the Group attributable to owners of the Company would become approximately HK\$899.50 million (based on 3,642,271,908 Rights Shares to be issued) or approximately HK\$900.90 million (based on 3,656,060,508 Rights Shares to be issued).

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

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RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Rights Issue and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

1. FINANCIAL INFORMATION

The financial information of the Group for each of the three financial years ended 31 March 2014, 2015 and 2016 were disclosed in the annual reports of the Company for the years ended 31 March 2014 (pages 52 to 160), 2015 (pages 56 to 160) and 2016 (pages 66 to 184). The aforementioned financial information of the Group has been published on both the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.sausantong.com). Please refer to the hyperlinks as stated below:

2014 annual report:

<http://www.hkexnews.hk/listedco/listconews/GEM/2014/0630/GLN20140630045.pdf>

2015 annual report:

<http://www.hkexnews.hk/listedco/listconews/GEM/2015/0630/GLN20150630135.pdf>

2016 annual report:

<http://www.hkexnews.hk/listedco/listconews/GEM/2016/0630/GLN20160630157.pdf>

2. STATEMENT OF INDEBTEDNESS**Borrowings**

As at the close of business on 30 November 2016, being the most recent practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had total borrowings of approximately HK\$106,610,000, comprising (i) secured bank loans of approximately HK\$67,462,000, which were secured by pledge of certain trade receivables amounting to approximately HK\$109,860,000 and personal guarantees given by a director of a subsidiary and his close family member. (ii) unsecured amount due to a Director of approximately HK\$204,000, (iii) unsecured interest-bearing outstanding amount under the convertible note with carrying value and principal amount of approximately HK\$19,956,000 and HK\$20,000,000 respectively and (iv) other unsecured long-term liability with carrying value and principal amount of approximately HK\$18,988,000 and HK\$20,000,000 respectively.

Contingent Liabilities

As at the close of business on 30 November 2016, the Group did not have any material contingent liabilities.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 30 November 2016, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors confirmed that there were no material changes in the indebtedness and contingent liabilities of the Group since 30 November 2016 up to and including the Latest Practicable Date.

3. WORKING CAPITAL

The Directors, after due and careful enquiry and consideration, are of the opinion that taking into account the present internal financial resources of the Group, the available banking facilities and the estimated net proceeds from the Rights Issue, in the absence of unforeseen circumstances, the Group has sufficient working capital for its present requirements and for at least twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. BUSINESS TREND AND FINANCIAL AND TRADING PROSPECTS

In 2016, the economic growth rate for the first season in Hong Kong was only 0.8%, mirroring the continuing economic slowdown. Consumer spending is going to remain constrained under the expectations for a weakening economy, and the beauty and slimming industry will inevitably continue to be dragged. Despite such a backdrop, the Group successfully leveraged on its excellent brand visibility and solid customer base in both Hong Kong and China to brave the headwind afflicting the industry.

For the year ended 31 March 2016, the Group recorded a turnover of approximately HK\$1,693,550,000, representing an increase of 9.4% from approximately HK\$1,548,256,000 of last year. This was mainly attributable to a significant growth of 66.0% in the contributions from the core business of provision of beauty and slimming services. In the recent year, given the predominance of females over males in Hong Kong and that many Hong Kong females belong to the high-earning group, females have become an important consumer group for the Hong Kong retail market with the beauty and slimming services and products being increasingly viewed as daily necessities more than luxuries. On the other hand, the demand for beauty and slimming services and products in China was stimulated by the increasing middle-class population. The Group is positive that more prosperous results can be accomplished by riding on the industry leadership in Hong Kong and China and sound reputation and customer confidence it has built over the years. The business of distribution of cosmetic and skin care products of Shanghai Dong Fang Ri Hua Sales Co. Ltd., a non-wholly-owned subsidiary of the Company, maintained a steady growth momentum, generating a contribution to the turnover of approximately HK\$1,572,106,000, up by 12.4% from approximately HK\$1,398,485,000 for the year ended 31 March 2015, forming another stable source of revenue for the Group.

The Group played the strengths it has long established to attain a growth in turnover last year with quality service and products, honest operation, excellent reputation and good word of mouth. In face of the slowdown of economic growth in its two major markets, namely China and Hong Kong, with the economic growth forecast in Hong Kong being merely 1 to 2% for 2016, and the consumer sentiment continuing to be adversely affected, the Group will continue to consistently maintain a positive attitude to explore, research and develop more sophisticated and effective health and beauty products and professional treatments, in order to meet the pursuit and demand for beauty and health by the ladies in Hong Kong and China and in turn achieve stable growth and enhance the performance of the Group's core business. Meanwhile, the Group is also devoted to the training of its people, and has specifically devised

training courses targeted at the employees of the franchise co-operation shops on the mainland market, with the aim to ensure the consistence in the quality of operation and services of the beauty, slimming and spa centres across different places.

In addition, parallel to its focus on the beauty and slimming business, the Group has commenced the securities investments business since March 2015 to put the idle funds of the Company into long-and short-term investments in listed securities in Hong Kong and other recognised securities markets in the overseas as well as wealth management products purchased from banks and other financial institutions, with a view to generating additional income outside its retail business, to widen its revenue base and minimise the risks of the Group on the overall, in order to enhance the capital use of the Company as well as the interests of the Company and its shareholders on the overall.

The Group has also commenced to provide money lending services on 1 June 2016. During the period ended 30 September 2016, the revenue generated from such new business segment amounted to approximately HK\$2,275,000. In view of the anticipated ending of the low interest rate environment in the near future, the Directors expect that the development of money lending business can provide a stable interest income stream to the Group which will benefit the Company and the Shareholders as a whole.

The Group will keep on identifying potential investment opportunities with the objectives of generating additional return, broadening its revenue base, enhancing the efficiency of capital use and further promoting the performance of the Group in different areas. The Group will meticulously select sound investments with high return potentials. Moving forward, the Group will bring its strengths, customer base, reputation and other advantages into full play in order to actualise stable growth of its core business. This will be complemented with careful investments in the effort to bring along more rewarding returns to our investors.

**1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED
NET TANGIBLE ASSETS OF THE GROUP**

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 7.31 of the GEM Listing Rules is set out below to illustrate the effects of the Rights Issue on the consolidated net tangible assets of the Group as if the Rights Issue had taken place on 30 September 2016.

This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only, based on the judgements and assumptions of the Directors, and because of its hypothetical nature, may not give a true picture of the financial position of the Group following the Rights Issue.

APPENDIX II

**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE GROUP**

	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2016 <i>HK\$'000</i>	Full exercise of subscription rights attached to the Outstanding Options (other than the Director Options and the Management Options) <i>HK\$'000</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after the completion of the Rights Issue <i>HK\$'000</i>
Based on 3,642,271,908 Rights Shares to be issued	<u>548,900</u> <i>(Note 1)</i>	<u>—</u>	<u>350,600</u> <i>(Note 2)</i>	<u>899,500</u>
Based on 3,656,060,508 Rights Shares to be issued	<u>548,900</u> <i>(Note 1)</i>	<u>2,923</u> <i>(Note 3)</i>	<u>352,000</u> <i>(Note 4)</i>	<u>900,900</u>
Unaudited consolidated net tangible assets of the Group attributable to owners of the Company per Share before the completion of the Rights Issue <i>(Note 5)</i>				<u>HK\$0.30</u>
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share immediately after the completion of the Rights Issue (assuming no repurchase of Shares and none of the Outstanding Options are exercised) <i>(Note 6)</i>				<u>HK\$0.16</u>
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share immediately after the completion of the Rights Issue (assuming no repurchase of Shares and the subscription rights attached to the Outstanding Options (other than the Director Options and the Management Options) are exercised in full) <i>(Note 7)</i>				<u>HK\$0.16</u>

Notes:

1. It represents the unaudited consolidated net assets of the Group attributable to owners of the Company of approximately HK\$568,618,000 less goodwill of approximately HK\$17,480,000 and intangible assets attributable to owners of the Company of HK\$2,238,000 (being HK\$2,798,000 less non-controlling interests of HK\$560,000) as at 30 September 2016, which are extracted from the published unaudited consolidated statement of financial position of the Group as at 30 September 2016.
2. The estimated net proceeds from the Rights Issue of approximately HK\$350,600,000 is calculated based on 3,642,271,908 Rights Shares to be issued (assuming no repurchase of Shares and none of the Outstanding Options are exercised) at the subscription price of HK\$0.10 per Rights Share after deduction of estimated related expenses.
3. Assuming there are no repurchases of Shares and the subscription rights attached to the Outstanding Options (other than the Director Options and the Management Options) are exercised in full, the unaudited consolidated net tangible assets of the Group attributable to owners of the Company would be increased by approximately HK\$2,923,000, being the weighted average exercise price of the Outstanding Options (other than the Director Options and the Management Options) of HK\$0.424 multiplied by 6,894,300 Outstanding Options (other than the Director Options and the Management Options).
4. The estimated net proceeds for the Rights Issue of approximately HK\$352,000,000 is calculated based on 3,656,060,508 Rights Shares to be issued (assuming no repurchase of Shares and the subscription rights attached to the Outstanding Options (other than the Director Options and the Management Options) are exercised in full) at the subscription price of HK\$0.10 per Rights Share after deduction of estimated related expenses.
5. The unaudited consolidated net tangible assets of the Group attributable to owners of the Company per Share before the completion of the Rights Issue is calculated based on HK\$548,900,000 divided by 1,821,135,954 Shares, being the number of Shares in issue as at 30 September 2016.
6. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share immediately after the completion of the Rights Issue is calculated based on HK\$899,500,000 divided by 5,463,407,862 Shares, comprising 1,821,135,954 Shares, being the number of Shares in issue as at 30 September 2016, and 3,642,271,908 Rights Shares to be issued.
7. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share immediately after the completion of the Rights Issue is calculated based on HK\$900,900,000 divided by 5,484,090,762 Shares, comprising 1,828,030,254 Shares, being the number of Shares in issue immediately before the completion of the Rights Issue (assuming no repurchase of Shares and the subscription rights attached to the Outstanding Options (other than the Director Options and the Management Options) are exercised in full), and 3,656,060,508 Rights Shares to be issued.
8. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2016.

**2. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA INFORMATION
OF THE GROUP**

The following is the text of a report, prepared for inclusion in this circular, received from the independent reporting accountants of the Company, Baker Tilly Hong Kong Limited, Certified Public Accountants, Hong Kong, in relation to the Group's unaudited pro forma financial information.

2nd Floor
625 King's Road
North Point
Hong Kong

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT
ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL
INFORMATION****TO THE BOARD OF DIRECTORS OF SAU SAN TONG HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Sau San Tong Holdings Limited (the "Company") and its subsidiaries (together the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 September 2016 as set out on page II-1 to II-3 of the circular issued by the Company dated 5 January 2017 (the "Unaudited Pro Forma Financial Information"). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on page II-1 to II-3 of the circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed Right Issues (the "Proposed Transactions") on the Group's consolidated net tangible assets as at 30 September 2016 as if the Proposed Transactions had taken place as at 30 September 2016. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's unaudited consolidated financial statements for the six months ended 30 September 2016, on which an interim report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline ("AG") 7, Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at 30 September 2016 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 5 January 2017

Tong Wai Hang

Practising certificate number P06231

1. RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular misleading.

2. SHARE CAPITAL

(A) The authorised and issued share capital of the Company as at the Latest Practicable Date was as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>5,000,000,000</u>	ordinary shares of HK\$0.02 each	<u>100,000,000.00</u>
 <i>Fully paid or credited as fully paid Shares in issue:</i>		
<u>1,821,135,954</u>	Shares in issue and fully paid or credited as fully paid as at the Latest Practicable Date	<u>36,422,719.08</u>

(B) The authorised and issued share capital of the Company upon the Increase in Authorised Share Capital becoming effective and immediately following completion of the Rights Issue are as follows:

(a) assuming that there is no change in the shareholding structure of the Company from the Latest Practicable Date up to the Record Date:

<i>Authorised:</i>		<i>HK\$</i>
<u>20,000,000,000</u>	ordinary shares of HK\$0.02 each	<u>400,000,000.00</u>
<i>Fully paid or credited as fully paid Shares/Rights Shares in issue or to be issued:</i>		
1,821,135,954	Shares in issue and fully paid or credited as fully paid as at the Latest Practicable Date	36,422,719.08
<u>3,642,271,908</u>	Rights Shares to be allotted and issued pursuant to the Rights Issue	<u>72,845,438.16</u>
<u>5,463,407,862</u>	Shares in issue immediately upon completion of the Rights Issue	<u>109,268,157.24</u>

(b) assuming that there is no change in the shareholding structure of the Company (save for all Outstanding Options (other than the Director Options and Management Options) being exercised in full) from the Latest Practicable Date up to the Record Date:

<i>Authorised:</i>		<i>HK\$</i>
<u>20,000,000,000</u>	ordinary shares of HK\$0.02 each	<u>400,000,000.00</u>
<i>Fully paid or credited as fully paid Shares/Rights Shares in issue or to be issued:</i>		
1,821,135,954	Shares in issue and fully paid or credited as fully paid as at the Latest Practicable Date	36,422,719.08
6,894,300	Shares to be allotted and issued upon exercise of the Outstanding Options (other than the Director Options and Management Options) in full	137,886.00
<u>3,656,060,508</u>	Rights Shares to be allotted and issued pursuant to the Rights Issue	<u>73,121,210.16</u>
<u>5,484,090,762</u>	Shares in issue immediately upon completion of the Rights Issue	<u>109,681,815.24</u>

As at the Latest Practicable Date, save for the Outstanding Options, the Company had no outstanding convertible securities, options or warrants in issue which conferred any right to subscribe for, convert or exchange into Shares.

Share Options

As at the Latest Practicable Date, there were 43,317,018 Outstanding Options granted by the Company under the Share Option Schemes to the eligible participants thereof at the consideration of HK\$1 per grant to each holder of the Outstanding Options. The holders of the Outstanding Options were Directors, employees and suppliers/consultants of the Group who were eligible participants of the Share Option Schemes. Among the Outstanding Options, 36,422,718 Shares fall to be allotted and issued at the exercise price of HK\$0.132 per Share and 6,894,300 Shares fall to be allotted and issued at the exercise price of HK\$0.424 per Share. The exercise prices of the Outstanding Options and/or the number of Shares falling to be allotted and issued upon full exercise thereof may be subject to further adjustment as a result of the Rights Issue. Details of the Outstanding Options as at the Latest Practicable Date were as follows:

Name/Category of participants	Date of grant	Subscription price per Share	Exercise period	Number of Shares issuable upon exercise in full of the Share Options
Mr. Mui (<i>Director</i>)	10 March 2016	HK\$0.132	10 March 2016 to 9 March 2021	18,211,359
Ms. Kwan (Chief executive officer)	10 March 2016	HK\$0.132	10 March 2016 to 9 March 2021	18,211,359
Suppliers/consultants of the Group	22 February 2012	HK\$0.424	22 February 2012 to 21 February 2017	6,894,300
Total:				<u>43,317,018</u>

Save for disclosed above, no capital of any member of the Group was under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date. All Shares and Rights Shares, when allotted and issued, shall rank *pari passu* with each other and in all respects with the existing Shares in all respects including rights to dividends, voting and return of capital. There is no arrangement under which future dividends will be waived or agreed to be waived.

The issued Shares are listed and traded on Stock Exchange. None of the securities of the Company is listed, or dealt in, on any other exchange, nor is any listing of or permission to deal in the securities of the Company being, or proposed to be, sought on any other stock exchange.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors were as follows:

Long positions in shares, underlying shares and debentures of the Company or its associated corporations:

Name of Director or chief executive of the Company	Capacity	Number of shares and underlying shares of the Company held	Sub-total number of shares and underlying shares of the Company held by each Director/ chief executive of the Company	Approximate percentage of the total issued share capital of the Company (note i)
Dr. Cheung (note ii)	beneficial owner	80,645,400		
	interest of a controlled corporation	62,664,000 (note iii)	143,309,400	7.87%
Mr. Mui (note iv)	beneficial owner	18,211,359 (note v)	18,211,359	1.00%
Ms. Kwan (note vi)	beneficial owner	18,211,359 (note vii)	18,211,359	1.00%

Notes:

- (i) The percentage holding is calculated based on the issued share capital of the Company of 1,821,135,954 Shares as at the Latest Practicable Date and has not taken into account the expected adjustment to the conversion price of the Outstanding Options as a result of the Rights Issue.
- (ii) Dr. Cheung is the Chairman of the Board and an executive Director.
- (iii) These 62,664,000 Shares are held by Biochem Investments which is wholly owned by Dr. Cheung. As such, Dr. Cheung is deemed to be interested in all of the 62,664,000 Shares held by Biochem Investments pursuant to Part XV of the SFO.
- (iv) Mr. Mui is an executive Director.
- (v) These interests are underlying shares, representing the number of Shares that fall to be allotted and issued upon exercise of the subscription rights attached to the Director Options held by Mr. Mui at the exercise price of HK\$0.132 per Share. The exercise price and/or number of Share fall to be allotted and issued is subject to adjustment upon occurrence of certain adjustment events including but not limited to the Rights Issue.
- (vi) Ms. Kwan is the chief executive officer of the Company.
- (vii) These interests are underlying shares, representing the number of Shares that fall to be allotted and issued upon exercise of the subscription rights attached to the Management Options held by Ms. Kwan at the exercise price of HK\$0.132 per Share. The exercise price and/or number of Share fall to be allotted and issued is subject to adjustment upon occurrence of certain adjustment events including but not limited to the Rights Issue.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors.

(b) Substantial shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any other member of the Group:

Long positions in shares, underlying share and debentures of the Company or its associated corporations:

Name of holder of Shares/underlying shares of the Company	Capacity	Number of shares and/or underlying shares of the Company held	Approximate percentage of the total issued share capital of the Company
Gransing Securities Co., Limited <i>(note ii)</i>	Other	500,000,000	9.12% <i>(note vi)</i>
Gransing Financial Holdings Limited <i>(note ii)</i>	Interest of a controlled corporation	500,000,000	9.12% <i>(note vi)</i>
Kwok Shun Tim <i>(note ii)</i>	Interest of a controlled corporation	500,000,000	9.12% <i>(note vi)</i>
Yip Nga Wan <i>(note ii)</i>	Interest of spouse	500,000,000	9.12% <i>(note vi)</i>
Head & Shoulders Securities Limited <i>(note iii)</i>	Other	422,271,908	7.70% <i>(note vi)</i>
Master Gold Limited <i>(note iii)</i>	Interest of a controlled corporation	422,271,908	7.70% <i>(note vi)</i>

Name of holder of Shares/underlying shares of the Company	Capacity	Number of shares and/or underlying shares of the Company held	Approximate percentage of the total issued share capital of the Company
Trinity Union Limited (<i>note iii</i>)	Interest of a controlled corporation	422,271,908	7.70% (<i>note vi</i>)
Head & Shoulders Financial Group Limited (<i>note iii</i>)	Interest of a controlled corporation	422,271,908	7.70% (<i>note vi</i>)
Endless Source Limited (<i>note iii</i>)	Interest of a controlled corporation	422,271,908	7.70% (<i>note vi</i>)
Mr. Choi Chiu Fai Stanley (<i>note iii</i>)	Interest of a controlled corporation	422,271,908	7.70% (<i>note vi</i>)
Ms. Cheung Fung Kuen Maggie (<i>note iii</i>)	Interest of a controlled corporation	422,271,908	7.70% (<i>note vi</i>)
Like Capital Limited (<i>note iv</i>)	Beneficial owner	173,400,000	9.52% (<i>note i</i>)
Ethnocentric Investment Limited (<i>note iv</i>)	Interest of a controlled corporation	173,400,000	9.52% (<i>note i</i>)
Capital VC Limited (<i>note iv</i>)	Interest of a controlled corporation	173,400,000	9.52% (<i>note i</i>)
China Mobile Games and Entertainment Group Limited	Beneficial owner	170,976,000 (<i>note v</i>)	9.39% (<i>note i</i>)
Yau Chung Chung	Beneficial owner	134,600,000 (<i>note v</i>)	7.39% (<i>note i</i>)

Notes:

- (i) The percentage holding is calculated based on the issued share capital of the Company of 1,821,135,954 Shares as at the Latest Practicable Date.

- (ii) Based on the notices of disclosure of interest filed by Gransing Financial Holdings Limited, Gransing Securities Co., Limited, Mr. Kwok Shun Tim and Ms. Yip Nga Wan on 7 December 2016, the 500,000,000 Shares were held by Gransing Securities Co., Limited, which was wholly owned by Gransing Financial Holdings Limited. Mr. Kwok Shun Tim owns 72.99% interest in Gransing Financial Holdings Limited and Ms. Yip Nga Wan is the spouse of Mr. Kwok Shun Tim. Accordingly, each of Gransing Financial Holdings Limited, Mr. Kwok Shun Tim, and Ms. Yip Nga Wan was deemed to be interested in 500,000,000 Shares held by Gransing Securities Co., Limited.
- (iii) Based on the notice of disclosure of interest filed by each of Head & Shoulders Securities Limited, Master Gold Limited, Trinity Union Limited, Head & Shoulders Financial Group Limited, Endless Source Limited, Mr. Choi Chiu Fai Stanley and Ms. Cheung Fung Kuen Maggie on 8 December 2016, the 422,271,908 Shares were held by Head & Shoulders Securities Limited (“HS”), which was wholly owned by Master Gold Limited (“MG”). MG was wholly owned by Head & Shoulders Financial Group Limited (“HSFG”) through Trinity Union Limited whereas Endless Source Limited (“ESL”) held 100% interests in HSFG. ESL was owned as to 50% by Mr. Choi Chiu Fai Stanley and as to 50% by Ms. Cheung Fung Kuen Maggie. Under the SFO, each of MG, Trinity Union Limited, HSFG, ESL, Mr. Choi Chiu Fai Stanley and Ms. Cheung Fung Kuen was deemed to be interested in the 422,271,908 shares held by HS.
- (iv) Like Capital Limited is a company incorporated in Hong Kong with limited liability which is wholly owned by Ethnocentric Investment Limited, a company incorporated in the British Virgin Islands with limited liability, which is in turn wholly owned by Capital VC Limited, a company incorporated in the Cayman Islands and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 2324). As such, each of Ethnocentric Investment Limited and Capital VC Limited is deemed to be interested in all the 173,400,000 Shares held by Like Capital Limited pursuant to Part XV of the SFO.
- (v) The number of Shares has been adjusted taking into account the effect of the share consolidation of the Company which became effective on 23 September 2016.
- (vi) The percentage holding is calculated based on the expected issued share capital of the Company as enlarged by the issue of Rights Shares under the Rights Issue (assuming subscription rights attached to the Outstanding Options (other than the Director Options and the Management Options) were exercised in full and the Shares thereto issued pursuant thereto on or before the Record Date) comprising 5,484,090,762 Shares.

Save as disclosed above and so far as is known to the Directors or chief executive of the Company, there is no person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying rights to vote in all circumstances at general meeting of any other member of the Group.

4. DIRECTORS' CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contract expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE COMPANY

As at the Latest Practicable Date, none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to member of the Group since 31 March 2016, being the date to which the latest published audited financial statements of the Group were made up.

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, as far as the Directors were aware, none of the Directors or controlling shareholders or substantial shareholders of the Company or any of their respective close associates (as defined in the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group nor does any of them has or may have any other conflicts of interest with the Group.

7. CORPORATE INFORMATION

Board of Directors*Executive Directors*Dr. Cheung Yuk Shan, Shirley (*Chairman*)

Mr. Mui Wai Sum

Non-executive Director

Mr. Takashi Togo

Independent non-executive Directors

Mr. Hong Po Kui, Martin

Ms. Chiu Kam Hing, Kathy

Mr. Lau Wai Leung, Alfred

*Audit Committee*Mr. Hong Po Kui, Martin (*Chairman*)

Ms. Chiu Kam Hing, Kathy

Mr. Lau Wai Leung, Alfred

*Remuneration Committee*Ms. Chiu Kam Hing, Kathy (*Chairman*)

Mr. Hong Po Kui, Martin

Mr. Lau Wai Leung, Alfred

*Nomination Committee*Dr. Cheung Yuk Shan, Shirley (*Chairman*)

Mr. Mui Wai Sum

Mr. Hong Po Kui, Martin

Ms. Chiu Kam Hing, Kathy

Mr. Lau Wai Leung, Alfred

Senior management

Dr. Kwan Fei Ying

Registered office

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

Head office and principle place of business in Hong Kong	16th Floor Prosperity Tower 39 Queen's Road Central Central Hong Kong
Company secretary	Mr. Ip Wai Sing (<i>an associate member of Hong Kong Institute of Certified Public Accountants</i>)
Compliance officer	Dr. Cheung Yuk Shan, Shirley
Authorised representatives	Dr. Cheung Yuk Shan, Shirley Mr. Mui Wai Sum
Auditor	Baker Tilly Hong Kong Limited <i>Certified Public Accountants</i> 2nd Floor 625 King's Road North Point Hong Kong
Principal share registrar and transfer office	Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Standard Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong

Principal bankers

Nanyang Commercial Bank
Yaumatei Branch
309 Nathan Road
Kowloon
Hong Kong

The Bank of East Asia Limited
iSQUARE Branch
Shop UG01
iSQUARE
63 Nathan Road
Tsim Sha Tsui, Kowloon
Hong Kong

Bank of China (Hong Kong) Limited
Kwun Tong Plaza Branch
68 Hoi Yuen Road
G1 Kwung Tong Plaza
Kwun Tong, Kowloon

8. PARTIES INVOLVED IN THE RIGHTS ISSUE**The Company**

Sau San Tong Holdings Limited
16th Floor
Prosperity Tower
39 Queen's Road Central
Central
Hong Kong

Underwriters

Head & Shoulders Securities Limited
Room 2511
25/F, Cosco Tower
183 Queen's Road Central
Central, Hong Kong

RaffAello Securities (HK) Limited
Room 2002 & 2002B
20/F, Tower 2, Lippo Centre
89 Queensway
Admiralty, Hong Kong

Financial adviser to the Company	Akron Corporate Finance Limited 17AB Trust Tower 68 Johnston Road Wanchai Hong Kong
Legal advisers to the Company	<i>As to Hong Kong Law</i> Leung & Lau Units 7208-10, 72nd Floor The Center, 99 Queen's Road Central Central Hong Kong <i>As to Cayman Islands Law</i> Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong
Reporting accountants	Baker Tilly Hong Kong Limited <i>Certified Public Accountants</i> 2nd Floor 625 King's Road North Point Hong Kong
Hong Kong branch share registrar and transfer office	Tricor Standard Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong

9. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board (the “**Audit Committee**”) comprised three independent non-executive Directors, namely, Mr. Hong Po Kui, Martin, Ms. Chiu Kam Hing, Kathy and Mr. Lau Wai Leung, Alfred. The Audit Committee is chaired by Mr. Hong Po Kui, Martin. The background, directorship and past directorship (if any) of each of the members of the Audit Committee are set out in the section headed “12. Particulars of Directors and Senior Management” in this appendix III below.

The primary duties of the audit committee of the Company including, but not limited to, (a) to independently review and supervise the financial reporting process and internal control systems; (b) to ensure good communications among Directors and the Company’s auditor; (c) to recommend the appointment of external auditor on an annual basis and approval of the audit fees; (d) to assist the Board in oversight of the independence, qualifications, performance and compensation of the independent accountant; (e) to review quarterly, interim and annual results announcements as well as the financial statements prior to their approval by the Board; and (f) to provide advice on audit reports, accounting policies and comments to all Directors.

10. LITIGATION

As at the Latest Practicable Date, to the best of the Directors’ knowledge, information and belief, no member of the Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

11. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within two years immediately preceding the Latest Practicable Date:

- (i) the provisional sale and purchase agreement dated 8 May 2015 entered into between Sau San Tong Investment Holdings Limited, a wholly-owned subsidiary of the Company and Komda Holdings Limited for the acquisition of a property at a total consideration of HK\$45,576,000;

- (ii) the sale and purchase agreement dated 12 June 2015 entered into between Creative Time Investments Limited, a wholly-owned subsidiary of the Company (as purchaser) and an individual (who was an independent third party) (as vendor) for the acquisition of the entire issued share capital of I Pro Medical Skin Care Centre Limited and all debts owed by I Pro Medical Skin Care Centre Limited to the vendor for a total consideration of HK\$18,000,000;
- (iii) the underwriting agreement dated 7 July 2015 (supplemented by the supplemental agreement dated 23 July 2015) entered into between the Company (as issuer) and CNI Securities Group Limited (中國北方証券集團有限公司) (as underwriter) in relation to the provision of underwriting services to the Company;
- (iv) the provisional sale and purchase agreement dated 26 May 2016 entered into between Silver Ally International Limited, a wholly-owned subsidiary of the Company (as purchaser) and Eversing Investment Company Limited (as vendor) in relation to the acquisition of the property for a purchase price of HK\$41,000,000 and the formal agreement entered into by the same parties dated 13 June 2016;
- (v) the sale and purchase agreement dated 29 August 2016 entered into among Sau San Tong Holdings Inc., a wholly-owned subsidiary of the Company (as vendor), Wisdom Empire Limited (皇睿有限公司) (as purchaser), and Jia Meng Holdings Limited whose shares are listed on GEM (stock code: 8101) (as holdco) for the disposal of 25% of the issued shares of Sau San Tong Investment Holdings Limited (修身堂投資控股有限公司), the then indirect wholly-owned subsidiary of the Company (as target) and 25% of all amounts, including principal and interest owing by the target to the vendor, for a consideration of HK\$11,568,000 which is satisfied by the allotment and issue of 115,680,000 ordinary shares by the holdco to the vendor; and
- (vi) the Underwriting Agreement.

12. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT**Executive Director**

Dr. CHEUNG Yuk Shan, Shirley (“Dr. Cheung”), aged 41, is the chairman of the Board, an executive Director of the Company and also the chairman of the Company’s nomination committee. Dr. Cheung founded the Group in 2000, and over the years, by virtue of her over 16 years’ expertise in beauty and slimming industry and profound understanding and unique vision on the market, she can fully capitalise on the trends and changes in the market and leading the Group successfully developed into a famous and reputable brand in Greater China. Dr. Cheung holds an honorary doctorate degree from Armstrong University, U.S.A. and an Executive Master degree of Business Administration from Peking University. Dr. Cheung is responsible for the overall stewardship of the Group which includes directions and formulating strategies. With her management style and innovative promotional strategies, she achieved various accomplishments and leading the Group to a new height. She also holds directorships in various subsidiaries of the Company.

Dr. Cheung is an Honorary President of the Federation of Beauty Industry (H.K.) and she has been appointed as a member of the Beauty Industry Training Advisory Committee of Education Bureau – Qualifications Framework in 2006. In the past, Dr. Cheung was awarded as one of the “100 Outstanding Women Entrepreneurs in China” by the “Women Entrepreneurs’ Association of China”. She is also one of the few Hong Kong awardees and one of the youngest awarded entrepreneurs. Subsequently, Dr. Cheung has been awarded as one of the “World Outstanding Chinese”.

In respect of social charity, Dr. Cheung is an Honorary Consultant of The Against Elderly Abuse of Hong Kong. Dr. Cheung has founded the Shirley Cheung Charity Foundation, which is granted as an approved charitable organization. As a Chairman of the Foundation, she leads the team to serve and feedback to the community in every minute and every moment.

Mr. MUI Wai Sum (“Mr. Mui”), aged 28, is an executive Director and joined the Group in December 2014. He is also a member of the Company’s nomination committee. He also holds directorships in various subsidiaries of the Company. Mr. Mui is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Business Administration Degree with major in General Finance from the Chinese University of Hong Kong. Mr. Mui had worked in Corporate Restructuring Services for an international accounting firm. He has extensive experience in corporate finance, corporate restructuring and securities

investment. Mr. Mui is an executive director of Sunrise (China) Technology Group Limited (a company listed on the Growth Enterprise Market of the Exchange, stock code: 8226) and he is also an executive director of LEAP Holdings Group Limited (a company listed on the Main Board of the Exchange, stock code: 1499).

Non-executive Director

Mr. Takashi TOGO (“Mr. Togo”), aged 52, is a non-executive Director and joined the Group in March 2016. He holds a bachelor degree of Economics from Hitotsubashi University in Japan. He has over 11 years’ experience in foreign equities investment. He was the investment manager of several investment funds in Japan including Yasuda Trust & Banking Corporation Limited and Fuji Investment Management Company Limited. He also specialises in merger and acquisitions, his clients cover major reputable Japan corporations. Mr. Togo has been serving as the chief executive officer of a consultancy firm in Japan since 2000. He is also currently participating in a few big property projects in Tokyo and Osaka.

Mr. Togo is currently an executive director of China Information Technology Development Limited (a company listed on the Growth Enterprise Market of the Exchange, stock code: 8178).

Independent non-executive Directors

Mr. HONG Po Kui, Martin (“Mr. Hong”), aged 66, is an independent non-executive Director and joined the Group in June 2002. He is responsible for giving advices to the board of Directors and shareholders of the Company. He is also the chairman of the Company’s audit committee, a member of the Company’s remuneration committee and nomination committee. Mr. Hong is a practicing solicitor and a notary public in Hong Kong. He has been practicing as a solicitor of the High Court of Hong Kong for over 36 years and is the senior partner of Messrs Lau, Chan & Ko, Solicitors. He holds a bachelor degree in science from University of New South Wales. Mr. Hong is an independent non-executive director of Modern Beauty Salon Holdings Limited (a company listed on the Main Board of the Exchange, stock code: 919).

Cavaliere Ms. CHIU Kam Hing Kathy (“Ms. Chiu”), JP, aged 67, joined the Group in October 2013 as an independent non-executive Director. She is also the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Company. Ms. Chiu has over 29 years of banking experience in Canada and the Asia Pacific Region. She was Senior Vice President

at the Republic National Bank of New York for almost thirteen years and was responsible for the management and investment of third party client's funds. Ms. Chiu is an associate and a fellow of the Institute of Canadian Bankers. Ms. Chiu was appointed as a Justice of the Peace by the Hong Kong Government in 1992 and as Cavaliere by the Italian Government in 1999 and she is Montblanc Outstanding Business Lady of the year 2002 in Hong Kong. Ms. Chiu is the chairman of Prime Investments Group Limited and also an independent non-executive director of National Agricultural Holdings Limited (a company listed on the Main Board of the Exchange, stock code: 1236). Ms. Chiu is licensed to carry out asset management business under Type 9 regulated activity under the SFO).

Mr. Lau Wai Leung, Alfred (“Mr. Lau”), aged 36, is an independent non-executive Director and joined the Group in December 2016. He is a member of the audit committee, the remuneration committee and the nomination committee of the Company. He has over 14 years of working experience in accounting, corporate finance, debt restructuring and private equity investment. Mr. Lau holds a bachelor degree of business administration from City University of Hong Kong. Mr. Lau is a member of American Institute of Certified Public Accountants and also is a Certified Public Accountant in Washington State, USA. Mr. Lau is a licensed person under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) permitted to carry out Type 6 (advising on corporate finance) regulated activity since July 2004.

Mr. Lau has not held any directorships in public listed companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Senior Management

Dr. Kwan Fei Ying (“Dr. Kwan”), aged 33, is the chief executive officer of the Company. Dr. Kwan joined the Company in December 2015 and is responsible for the overall management, business strategy and development of the Group. She is also involved in the formulation of various aspects of the Group's policies. Dr. Kwan holds an honorary doctorate degree from the International American University, U.S.A. and has more than 12 years of experience in the beauty and slimming industry. Dr. Kwan has served as the management of a beauty and slimming company in Hong Kong and is an Honorary President of the Hong Kong Beauty & Wellness Association.

Dr. Kwan has not held any other major appointment and professional qualification or directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

13. MISCELLANEOUS

- (i) The business address of all Directors and authorised representatives of the Company is 16th Floor, Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong.
- (ii) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (iii) The English text of this circular shall prevail over the Chinese text.

14. EXPERTS AND CONSENT

The following is the qualification of each of the experts who has given opinion or advice contained in this circular:

Name	Qualification
Baker Tilly Hong Kong Limited ("Baker Tilly")	Certified Public Accountants
Gram Capital Limited ("Gram Capital")	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Each of Baker Tilly and Gram Capital has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its report and references to its name in the form and context in which it appear.

Each of Baker Tilly and Gram Capital does not have any shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group.

Each of Baker Tilly and Gram Capital does not and did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2016, being the date to which the latest published audited accounts of the Group were made up.

15. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges and other related expenses, are estimated to amount to approximately HK\$13.6 million and are payable by the Company.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at 16th Floor, Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong during normal business hours on any weekday other than public holidays from the date of this circular, up to and including the Latest Time of Acceptance:

- (i) the memorandum and articles of association of the Company;
- (ii) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (iii) the annual reports of the Company for each of the two financial years ended 31 March 2015 and 2016;
- (iv) the interim report of the Company for the six months ended 30 September 2016;
- (v) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 42 to 43 of this circular;
- (vi) the letter of advice from Gram Capital, the text of which is set out on pages 44 to 58 of this circular;
- (vii) the accountants' report on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (viii) the written consent of the experts referred to in the section headed "Experts and Consent" in this appendix; and
- (ix) this circular.

NOTICE OF EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Sau San Tong Holdings Limited (the “**Company**”) will be held at 16th Floor, Prosperity Tower, 39 Queen’s Road Central, Central, Hong Kong 11:30 a.m. on Monday, 23 January 2017 for the purpose of considering and, if thought fit, passing with or without amendments the following resolutions which will be proposed as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**

- (i) the authorised share capital of the Company be increased from HK\$100,000,000 (divided into 5,000,000,000 ordinary shares of nominal value of HK\$0.02 each (“**Shares**”)) to HK\$400,000,000 (divided into 20,000,000,000 Shares) by the creation of 15,000,000,000 additional Shares, and that each such new Share, upon issue, shall rank *pari passu* in all respects with the existing issued Shares and have rights and privileges and be subject to the restrictions contained in the memorandum and articles of association of the Company (“**Increase in Authorised Share Capital**”); and
- (ii) any one or more of the directors of the Company be and is/are hereby authorised to do all such acts and things and execute and deliver all such documents, including under the seal of the Company, where applicable, as he/she/they may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of the Increase in Authorised Share Capital.”

* for identification purpose only

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2. “**THAT** subject to and conditional upon (i) The Stock Exchange of Hong Kong Limited granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, all the Rights Shares (as defined below) by no later than the Prospectus Posting Date (as defined in the circular of the Company dated 5 January 2017 (“**Circular**”)); (ii) the filing and registration of all relevant documents with the Registrar of Companies in Hong Kong by no later than the Prospectus Posting Date (as defined in the Circular); and (iii) the Underwriting Agreement (as defined below) not being terminated by the Underwriters (as defined below) pursuant to the terms thereof on or before the Latest Time for Termination (as defined in the Circular):
- (a) the allotment and issue of not less than 3,642,271,908 Shares and not more than 3,656,060,508 Shares (“**Rights Shares**”) by way of rights issue (“**Rights Issue**”) at a subscription price of HK\$0.10 per Rights Share on the basis of two (2) Rights Shares for every one (1) Share to the holders of the Shares (“**Qualifying Shareholders**”) whose names appear on the register of members of the Company on Wednesday, 8 February 2017 (or such other date as the Underwriters (as defined below) may agree with the Company) (“**Record Date**”) other than those shareholders of the Company whose names appear on the register of members of the Company at the close of business on the Record Date and whose addresses as shown on such register are outside Hong Kong whom the directors of the Company, based on legal advice provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Shares to such shareholders on account either of legal restrictions under the laws of the relevant places or the requirements of the relevant regulatory body or stock exchange in those places (“**Excluded Shareholders**”) as described in further detail in the Circular and on and subject to such terms and conditions as may be determined by the directors of the Company and otherwise pursuant to and subject to the fulfilment of the conditions set out in the underwriting agreement (“**Underwriting Agreement**”) (a copy of which has been produced to this meeting marked “**A**” and signed by the chairman of this meeting for the purpose of identification) dated 2 December 2016 and made among the Company, Head & Shoulders Securities Limited and RaffAello Securities (HK) Limited as underwriters (“**Underwriters**”), and the transactions contemplated thereunder, be and are hereby approved;
- (b) the board of directors of the Company (“**Board**”) or a committee thereof be and is/are hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the Qualifying

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Shareholders and, in particular, the Board may make such exclusions or other arrangement in relation to the Excluded Shareholders as it may deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirement of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong;

- (c) the entering into the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified in all respects and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the underwritten Rights Shares, if any, by the Underwriters) be and are hereby approved, confirmed and ratified; and
- (d) any one or more of the directors of the Company be and is/are hereby authorised to sign and execute and deliver any such documents and do all such acts and things incidental to the Rights Issue as he/she/they may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder or in this resolution.”

On behalf of the Board
SAU SAN TONG HOLDINGS LIMITED
Cheung Yuk Shan, Shirley
Chairman

Hong Kong, 5 January 2017

Registered Office:

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

Head office and principal place of business in Hong Kong:

16th Floor
Prosperity Tower
39 Queen's Road Central
Central
Hong Kong

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Notes:

1. A form of proxy to be used for the extraordinary general meeting is enclosed with the Circular.
2. Any shareholder of the Company entitled to attend and vote at the extraordinary general meeting of the Company shall be entitled to appoint another person (who must be an individual) as his/her/its proxy to attend and vote instead of him/her/it and a proxy so appointed shall have the same right as the shareholder to speak at the extraordinary general meeting. On a poll votes may be given either personally or by proxy. A proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more shares of the Company may appoint more than one proxy to attend in his/her/its stead at the general meeting.
3. The form of proxy shall be in writing under the hand of the appointor or of his attorney authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.
4. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered at the branch share registrar and transfer office of the Company in Hong Kong, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the extraordinary general meeting or the adjournment thereof (as the case may be) at which the person named in the form of proxy proposes to vote. Delivery of a form of proxy shall not preclude a shareholder from attending and voting in person at the extraordinary general meeting and, in such event, the form of proxy shall be deemed to be revoked.
5. Where there are joint registered holders of any share, any one of such persons may vote at the extraordinary general meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the extraordinary general meeting personally or by proxy, that one of the said persons so present being the most senior shall alone be entitled to vote in respect of the relevant joint holding to the exclusion of the votes of the other joint registered holders and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of members of the Company in respect of the relevant joint holding.

As at the date of this notice, the board of directors of the Company 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. Chiu Kam Hing, Kathy and Mr. Lau Wai Leung, Alfred.