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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)**

### **MAJOR TRANSACTION ESTABLISHMENT OF A SINO-FOREIGN CO-OPERATIVE JOINT VENTURE IN SHANGHAI OF THE PEOPLE'S REPUBLIC OF CHINA**

Pursuant to the GEM Listing Rules, the Board is pleased to announce that on 4 September 2004, Smartime International Investment Limited, a wholly-owned subsidiary of the Company, has entered into a Joint Venture Agreement with Skytop International Development Inc. and Shanghai Dong Fang P&G Co., Limited, both are independent third parties, under which, inter alia, Smartime International Investment Limited, Skytop International Development Inc. and Shanghai Dong Fang P&G Co., Limited have agreed to jointly establish joint venture business in Mainland China.

The total assets attributable to the Establishment constitute approximately 58.30% of the total assets of the Group. Therefore the Establishment constitutes a major transaction of the Company and is subject to the shareholders' approval in accordance with the Chapter 19 of the GEM Listing Rules. However, pursuant to Rules 19.44 of the GEM Listing Rules, since no shareholders of the Company has any interests in the Establishment, no shareholders of the Company is required to abstain from voting if the Company is to convene a general meeting for the approval of the transaction; and a written shareholders' approval has been obtained by the Company from Miss Cheung Yuk Shan, Shirley, the ultimate controlling shareholder, who as at the date of this announcement holds 373,020,000 shares of HK\$0.01 each in the capital of the Company representing 57.98% of the nominal value of the securities giving the right to attend and vote at the meeting to approve the transaction, thus no shareholders' meeting of the Company will be held.

A circular containing further detail of the Establishment shall be despatched to the shareholders of the Company within 21 days from the date of this announcement.

Trading in the Shares on the Stock Exchange was suspended with effect from 9:35 a.m. on 6 September 2004 at the request of the Company pending publication of this announcement. Application has been made by the Company for the resumption of trading of the Shares on the Stock Exchange with effect from 9:30 a.m. on 13 September 2004.

Pursuant to the GEM Listing Rules, the Board is pleased to announce that on 4 September 2004, Smartime International Investment Limited, a wholly-owned subsidiary of the Company, via the introduction from a merchant who is not a business partner of the Company and is independent of the Company and connected persons of the Company as defined in the GEM Listing Rules, entered into a Joint Venture Agreement (the “Joint Venture Agreement”) with Skytop International Development Inc. and Shanghai Dong Fang P&G Co., Limited (which together with its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company as defined in the GEM Listing Rules) whereby Smartime International Investment Limited, Skytop International Development Inc. and Shanghai Dong Fang P&G Co., Limited have agreed to establish, subject to relevant approvals from the PRC regulatory authorities namely Ministry of Commerce (商務部) and Shanghai Industry & Commerce Administration Bureau (上海市工商行政管理局) which may be subject to such conditions as they may consider appropriate, an application of a distribution license and a sino-foreign co-operative joint venture business in Mainland China (the “Establishment”) on terms outlined as follows:

- (1) The joint venture would be tentatively named as “Shanghai Dong Fang P&G Distribution Company Limited 上海東紡寶潔產品銷售有限公司 (“Shanghai P&G Distribution”)
- (2) The interests and profit-sharing percentage in Shanghai P&G Distribution for each party are as follows:
  - (i) Smartime International Investment Limited: 51%
  - (ii) Skytop International Development Inc.: 39%
  - (iii) Shanghai Dong Fang P&G Co., Limited: 10%

Skytop International Development Inc. is an independent private investment company with limited liability incorporated in British Virgin Islands.

Shanghai Dong Fang P&G Co., Limited is a retailer incorporated in Mainland China with extensive distribution experience in the eastern part of Mainland China. It has a contractual relationship with Guangzhou Procter & Gamble Company Limited, the sino-foreign joint venture company of The Procter & Gamble Company in Mainland China, under which Shanghai Dong Fang P&G Co., Limited has the right to distribute P&G products in Shanghai and the eastern part of Mainland China. The products distributed by Shanghai Dong Fang P&G Co., Limited included but not limited to (i) house and home products such as household cleaners, laundry and paper products (ii) hair care and personal cleansing products and (iii) skin care and beauty products.

The directors of the Company have conducted feasibility studies on the joint venture partners including conducted a reference check by the Company’s business partners in Shanghai, paid company visit to Shanghai Dong Fang P&G

Co., Limited, held discussions with the management of Shanghai Dong Fang P&G Co., Limited, reviewed the company secretarial documents and discussed with the owner of Skytop International Development Inc..

Since Smartime International Investment Limited is a wholly owned subsidiary of the Company and holds 51% interest in Shanghai P&G Distribution, in accordance with the principal accounting policies of the Group, the results of Shanghai P&G Distribution will be consolidated into the Group's financial statements upon the completion of Establishment and commencement of business operation.

- (3) The total investment for Shanghai P&G Distribution would be HK\$45,000,000. The registered capital for Shanghai P&G Distribution would be US\$5,000,000 (approximately HK\$39,000,000); of which
- (i) US\$2,550,000 (approximately HK\$19,890,000) would be contributed in cash by Smartime International Investment Limited,
  - (ii) US\$1,950,000 (approximately HK\$15,210,000) would be contributed in cash by Skytop International Development Inc., and
  - (iii) US\$500,000 (approximately HK\$3,900,000) would be contributed in cash by Shanghai Dong Fang P&G Co., Limited.

The capital contributed by Smartime International Investment Limited will be funded by internal resources of the Group. As at 30 June 2004, the Group's cash and bank balances were approximately HK\$61,931,000. As at 30 June 2004, out of the HK\$17,500,000 listing proceeds, HK\$12,499,000 was utilized for actual business activities pursuant to the business objectives set out in the prospectus of the Company dated 10 November 2003 and a balance of HK\$5,001,000 was remained from the listing proceeds. The Directors of the Company believe that the Group has sufficient internal resources to complete the Establishment.

- (4) Under the Joint Venture Agreement, Shanghai P&G Distribution intends to continue the same contractual relationship with Guangzhou Procter & Gamble Company Limited after the completion of Establishment, and under which Shanghai P&G Distribution can distribute P&G products. Shanghai P&G Distribution will be engaged in the retailing and distributing of P&G products including cosmetics and skin care products such as SKII through opening new stores (SKII Specialists) or counters at department stores in the eastern part of Mainland China (included but not limited to Shanghai). Shanghai Dong Fang P&G Co., Limited is not entitled to any introduction fee from the Establishment.

P&G Products to be distributed by Shanghai P&G Distribution included but not limited to: (i) personal and beauty products including cosmetics and skin care such as SKII, (ii) health and wellness products.

In case if all three parties have no intention to continue with the operation of the business, an independent auditor will be appointed to audit the Establishment's assets, which will be apportioned to the three parties in respect to their relevant shareholding.

- (5) The board of directors of Shanghai P&G Distribution would consist of five (5) directors, of which three (3) would be nominated by Smartime International Investment Limited, one (1) would be nominated by Skytop International Development Inc. and another one (1) would be nominated by Shanghai Dong Fang P&G Co., Limited.
- (6) The chairman and the deputy chairman of the board of Shanghai P&G Distribution would be nominated by Smartime International Investment Limited whereas the general manager and the representative of the Shanghai P&G Distribution would be nominated by Skytop International Development Inc..

## **REASONS FOR THE ESTABLISHMENT**

The Group is principally engaged in the health and beauty business of (i) the sale of a range of health and beauty products and (ii) the provision of a wide range of health and beauty services with emphasis on weight management at its slimming centres. As stated in the prospectus of the Company dated 10 November 2003, the Group intended to set up counters in a personal care products retailer chain in Hong Kong and expand this business to other markets. The Establishment is line with this objective. The Directors of the Company believe that the proven records of the Group in the health and beauty business in Hong Kong leveraged with the distribution experience of Shanghai Dong Fang P&G Co., Limited in the eastern part of Mainland China can generate a synergy effect which would create substantial value to the shareholders of the Company.

## **GENERAL**

The total assets attributable to the Establishment constitute approximately 58.30% of the total assets of the Group. Therefore the Establishment constitutes a major transaction of the Company and is subject to the shareholders' approval in accordance with the Chapter 19 of the GEM Listing Rules. However, pursuant to Rules 19.44 of the GEM Listing Rules, since no shareholders of the Company has any interests in the Establishment, no shareholders of the Company is required to abstain from voting if the Company is to convene a general meeting for the approval of the transaction; and a written shareholders' approval has been obtained by the Company from Miss Cheung Yuk Shan, Shirley, the ultimate controlling shareholder, who as at the date of this announcement holds 373,020,000 shares of HK\$0.01 each in the capital of the Company representing 57.98% of the nominal value of the securities giving the right to attend and vote at the meeting to approve the transaction, thus no shareholders' meeting of the Company will be held.

A circular containing further detail of the Establishment shall be despatched to the shareholders of the Company within 21 days from the date of this announcement.

## SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended with effect from 9:35 a.m. on 6 September 2004 at the request of the Company pending publication of this announcement. Application has been made by the Company for the resumption of trading of the Shares on the Stock Exchange with effect from 9:30 a.m. on 13 September 2004.

## DEFINITIONS

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

“Board”	means the boards of Directors of the Company
“Company”	means Sau San Tong Holdings Limited, a company incorporated in the Cayman Islands and whose shares are listed on GEM
“Director(s)”	means the directors of the Company
“GEM”	means the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited
“GEM Listing Rules”	means the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited
“Group”	means the Company and its subsidiaries (including Shanghai P&G Distribution to be established)
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Joint Venture Agreement”	means a sino-foreign co-operative joint venture agreement entered into between Smartime International Investment Limited, Skytop International Development Inc. and Shanghai Dong Fang P&G Co., Limited on 4 September 2004 for the establishment of Shanghai P&G Distribution
“Mainland China”	means The People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“US\$”	means United States Dollars, the lawful currency of the United States of America, US\$1=HK\$7.80
“HK\$”	means Hong Kong Dollars, the lawful currency of the Hong Kong

- “P&G Products” means the products manufactured and marketed by The Procter & Gamble Company and its global subsidiaries and related companies
- “Guangzhou Procter & Gamble Company Limited” means the sino-foreign joint venture company of The Procter & Gamble Company in Mainland China
- “Smartime International Investment Limited” means Smartime International Investment Limited, a limited liability company incorporated in British Virgin Islands and a wholly-owned subsidiary of the Company
- “Skytop International Development Inc.” means Skytop International Development Inc., an independent private investment company with limited liability incorporated in British Virgin Islands and which is independent from the Company, the Directors, chief executive, substantial shareholders or management shareholders of the Company or any of their respective subsidiaries or associates as defined under the GEM Listing Rules. It is 100% owned by Mr. Weng Zhi Gang who is not a business partner of the Company
- “Shanghai Dong Fang P&G Co., Limited” means Shanghai Dong Fang P&G Co., Limited, a retailer with limited liability incorporated in the PRC and which is independent from the Company, the Directors, chief executive, substantial shareholders or management shareholders of the Company or any of their respective subsidiaries or associates as defined under the GEM Listing Rules. It is 40% owned by 龍頭股份有限公司, a company with limited liability incorporated in the PRC, 34% owned by its Staff Union and 26% owned by its management. All of them are not business partners of the Company
- “Shanghai P&G Distribution” means Shanghai Dong Fang P&G Distribution Company Limited 上海東紡寶潔產品銷售有限公司, a sino-foreign co-operative joint venture enterprise with limited liability to be established in Mainland China pursuant to the Joint Venture Agreement

By Order of the Board  
**Sau San Tong Holdings Limited**  
**Cheung Yuk Shan, Shirley**  
*Chairman*

Hong Kong, 10 September 2004

*As at the date of this announcement, the Board comprises executive directors namely Miss Cheung Yuk Shan, Shirley (Chairman), Mr. Cheung Ka Heng, Frankie and Mr. Ho, Francis Man Kwong; independent non-executive directors namely Mr. Hong Po Kui, Martin, Mr. Li Kuo Hsing, Mr. To Kon Hung, Terence and Mr. Ho Yiu Ming.*

*This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The directors of the Company, have made all reasonable enquiries, confirm that, to the best of their knowledge and believe: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on the bases and assumptions that are fair and reasonable.*

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

*\* For identification purpose only*