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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 CAPITAL REORGANISATION;**
- (2) CHANGE OF BOARD LOT SIZE;**
- (3) PROPOSED RIGHTS ISSUE ON THE BASIS OF SIX (6) RIGHTS SHARES FOR EVERY ADJUSTED SHARE HELD ON THE RECORD DATE;**
- (4) PLACING OF CONVERTIBLE NOTES;**
- (5) ISSUE OF CONVERTIBLE NOTE CONSTITUTING A CONNECTED TRANSACTION;**
- (6) ISSUE OF UNLISTED WARRANTS UNDER A CONSULTANCY AGREEMENT;**
- AND**
- (7) RESUMPTION OF TRADING**

**Financial Adviser to the Company**



**KINGSTON CORPORATE FINANCE LIMITED**

**Underwriter to the Rights Issue and Placing Agent to the Placing**



**KINGSTON SECURITIES LIMITED**

**(1) PROPOSED CAPITAL REORGANISATION**

The Company intends to put forward to the Shareholders for their approval a proposal involving the following changes to the capital of the Company:

- (a) Share Consolidation: every 10 Shares of HK\$0.20 each in the issued share capital of the Company will be consolidated into one Consolidated Share of HK\$2.00 each;
- (b) Capital Reduction: the issued share capital of the Company will be reduced by cancelling the paid-up capital to the extent of HK\$1.99 on each issued Consolidated Share and the entire amount of the authorised but unissued share capital will be cancelled; and

\* For identification purpose only

(c) Increase in Authorised Capital: following the Share Consolidation and the Capital Reduction, the authorised share capital of the Company will be increased to HK\$10,000,000 divided into 1,000,000,000 Adjusted Shares.

The Capital Reorganisation is conditional upon, among other things, the passing of the necessary resolution by the Shareholders at the EGM, the confirmation of the Capital Reduction by the Court and the registration by the Registrar of Companies in the Cayman Islands of an official copy of the Court order and the minute containing the particulars required under the Companies Law.

**(2) CHANGE OF BOARD LOT SIZE**

The Board also proposes to change the board lot size for the trading of shares from 10,000 Shares to 4,000 Adjusted Shares upon the Capital Reorganisation becoming effective.

**(3) PROPOSED RIGHTS ISSUE ON THE BASIS OF SIX (6) RIGHTS SHARES FOR EVERY ADJUSTED SHARE HELD ON THE RECORD DATE**

Conditional upon the Capital Reorganisation becoming effective, the Company proposes to raise not less than HK\$53.5 million and not more than HK\$54.1 million, before expenses, by way of a rights issue of not less than 178,537,500 Rights Shares and not more than 180,263,910 Rights Shares at the Subscription Price of HK\$0.30 per Rights Share on the basis of six (6) Rights Shares for every Adjusted Share held on the Record Date and payable in full on acceptance. The Company intends to use the net proceeds of the Rights Issue to expand the Group's beauty, slimming and spa businesses and products distribution business in the PRC and as general working capital.

The Rights Issue is fully underwritten by the Underwriter and the terms of the Rights Issue are agreed after arm's length negotiation between the Company and the Underwriter.

The Rights Issue will not be available to the Excluded Overseas Shareholders.

Each of Dr. Cheung, the Chairman of the Company, and GEM Hero, a substantial Shareholder holding approximately 25.13% and 14.52% of the issued share capital of the Company respectively, has undertaken to the Company and the Underwriter, among others, that (i) she/it will not, and will procure that her/its nominee(s) not to, dispose of or transfer, or agree to dispose of or transfer, any Shares held by her/it before the Record Date; and (ii) she/it will, and will procure her/its nominee(s) to, subscribe in full for all the Rights Shares which she or it will be entitled under the Rights Issue. In addition, Dr. Cheung has undertaken that she will not apply for any excess Rights Shares under the excess application arrangement under the Rights Issue. Further, each of Dr. Cheung and Mr. Cheung, an executive Director, has undertaken to the Company and the Underwriter that she/he will not exercise any of the subscription rights attached to the Options granted by the Company to her/him before the Record Date.

**The Rights Issue is conditional upon, among other things, the passing of the necessary resolution by the Independent Shareholders at the EGM, the Capital Reorganisation becoming effective and the Underwriting Agreement not being terminated in accordance with the terms thereof. If any of the above conditions is not satisfied, the Rights Issue will not proceed.**

**Shareholders should note that Adjusted Shares will be dealt in on an ex-entitlement basis commencing from 5 November 2010 and that dealings in the Shares/Adjusted Shares and the Rights Shares in nil-paid form will take place while the conditions to which the Rights Issue is subject remain unfulfilled. Any Shareholder or other person dealing in the Shares/Adjusted Shares and the Rights Shares in nil-paid form up to the date on which all conditions to which the Rights Issue is subject remain unfulfilled, will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares/Adjusted Shares and Rights Shares in nil-paid form who is in any doubt about his/her/its position is recommended to consult his/her/its own professional adviser.**

#### **(4) PLACING OF CONVERTIBLE NOTES**

On 5 July 2010, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Placing Agent agreed to place, on a best effort basis, over a period of 60 days from the date the Capital Reorganisation becomes effective, the Placing Convertible Notes up to an aggregate principal amount of HK\$20,000,000 upon the Capital Reorganisation becoming effective.

Based on the initial Conversion Price of HK\$0.50 per Conversion Share, a maximum number of 40,000,000 Conversion Shares will be allotted and issued if the conversion rights attached to the Placing Convertible Notes are exercised in full, representing approximately 134.43% of the issued share capital of the Company immediately after the Capital Reorganisation becoming effective and approximately 57.34% of the issued share capital of the Company as enlarged by the allotment and issue of such Conversion Shares.

The Placing is conditional upon, among other things, the passing of the necessary resolution by the Shareholders at the EGM and the Capital Reorganisation becoming effective.

#### **(5) ISSUE OF CONVERTIBLE NOTE CONSTITUTING A CONNECTED TRANSACTION**

On 5 July 2010, the Company and Dr. Cheung entered into the Subscription Agreement pursuant to which the Company agreed to issue, and Dr. Cheung agreed to subscribe, or procure the subscription by her nominee, for the Subscription Convertible Note in the principal amount of HK\$20,000,000 upon the Capital Reorganisation becoming effective.

Based on the initial Conversion Price of HK\$0.50 per Conversion Share, a maximum number of 40,000,000 Conversion Shares will be allotted and issued if the conversion rights attached to the Subscription Convertible Note are exercised in full, representing approximately 134.43% of the issued share capital of the Company immediately after the Capital Reorganisation becoming effective and approximately 57.34% of the issued share capital of the Company as enlarged by the allotment and issue of such Conversion Shares.

As Dr. Cheung is a Director and a substantial Shareholder interested in approximately 25.13% of the issued share capital of the Company as at the date of this announcement, she is a connected person of the Company under the GEM Listing Rules. Accordingly, the Subscription constitutes a connected transaction for the Company. As the applicable percentage ratios in respect of the Subscription exceed 5% and HK\$10,000,000, it is subject to the approval of the Independent Shareholders at the EGM. Dr. Cheung and her associates will abstain from voting at the EGM on the proposed resolution approving the Subscription Agreement and the transactions contemplated thereunder.

The Subscription is conditional upon, among other things, the passing of the necessary resolution by the Independent Shareholders at the EGM and the Capital Reorganisation becoming effective.

#### **(6) ISSUE OF UNLISTED WARRANTS UNDER A CONSULTANCY AGREEMENT**

On 24 June 2010, the Company and the Consultant entered into the Consultancy Agreement pursuant to which the Company agreed to appoint the Consultant to provide certain consultancy services in relation to the Group's business in Hong Kong and the PRC. Pursuant to the Consultancy Agreement, the Company agreed to issue to the Consultant the unlisted Warrants to subscribe up to an aggregate amount of HK\$16,250,000 for Adjusted Shares.

Based on the initial Exercise Price of HK\$1.00 or HK\$1.20 per Warrant Share, a maximum number of 14,583,333 Warrant Shares will be allotted and issued if the subscription rights attached to the Warrants are exercised in full, representing approximately 49.01% of the issued share capital of the Company immediately after the Capital Reorganisation becoming effective and approximately 32.89% of the issued share capital of the Company as enlarged by the allotment and issue of such Warrant Shares.

The issue of the Warrants is conditional upon, among other things, the passing of the necessary resolution by the Shareholders at the EGM and the Capital Reorganisation becoming effective.

## **(7) GENERAL**

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on the terms of the Rights Issue and the Subscription. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in these regards.

A circular containing, among other things, (i) further details of the Capital Reorganisation, the change of board lot size, the Rights Issue, the Placing, the Subscription and the issue of Warrants; (ii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue and the Subscription; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue and the Subscription; and (iv) a notice convening the EGM is expected to be despatched to the Shareholders on or around 26 July 2010.

## **(8) RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange was suspended with effect from 2:30 p.m. on 24 June 2010 at the request of the Company pending the release of this announcement and application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 7 July 2010.

## **(1) PROPOSED CAPITAL REORGANISATION**

The Company intends to put forward to the Shareholders the Capital Reorganisation comprising the Share Consolidation, the Capital Reduction and the Increase in Authorised Capital, details of which are set out below.

### **A. Share Consolidation**

Every 10 Shares of HK\$0.20 each in the issued share capital of the Company will be consolidated into one Consolidated Share of HK\$2.00 each. Fractional Consolidated Shares will not be issued to individual Shareholders but will be aggregated and, if possible, sold for the benefits of the Company. Fractional Consolidated Shares will only arise if the entire shareholding of a Shareholder is not in integral multiple of 10 regardless of the number of share certificates held by such Shareholder.

### **B. Capital Reduction**

Upon the Share Consolidation becoming effective, the issued share capital of the Company will be reduced by cancelling the paid-up capital to the extent of HK\$1.99 on each issued Consolidated Share and the entire amount of the authorised but unissued share capital will be cancelled.

On the basis of 297,562,500 Shares currently in issue, a credit of HK\$59,214,937.50 will arise from the Capital Reduction and will be transferred to the distributable capital reduction reserve account of the Company, which will be applied to set-off the accumulated losses of the Company, which stood at approximately HK\$99,108,000 as at 31 March 2010.

### **C. Increase in Authorised Capital**

Following the Share Consolidation and the Capital Reduction, the authorised share capital of the Company will be increased to HK\$10,000,000 divided into 1,000,000,000 Adjusted Shares.

### **D. Conditions of the Capital Reorganisation**

The Capital Reorganisation is conditional upon:

- (a) passing of a special resolution by the Shareholders at the EGM approving the Capital Reorganisation;
- (b) the confirmation of the Capital Reduction by the Court and the registration by the Registrar of Companies in the Cayman Islands of an official copy of the Court order and the minute containing the particulars required under the Companies Law;
- (c) compliance with any conditions which the Court may impose; and
- (d) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Adjusted Shares in issue upon the Capital Reorganisation becoming effective.

## E. Effect of the Capital Reorganisation

The Adjusted Shares arising from the Capital Reorganisation will rank pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions contained in the articles of association of the Company. The following table sets out the effect of the Capital Reorganisation on the share capital of the Company, that is, before and after implementation of the Capital Reorganisation:

	<b>Before the Capital Reorganisation</b>	<b>Immediately after the Capital Reorganisation</b>
Nominal value	HK\$0.20	HK\$0.01
Authorised share capital	HK\$100,000,000.00 divided into 500,000,000 Shares	HK\$10,000,000.00 divided into 1,000,000,000 Adjusted Shares
Issued and paid-up share capital	HK\$59,512,500.00 divided into 297,562,500 Shares	HK\$297,562.50 divided into 29,756,250 Adjusted Shares

### *Notes:*

- (a) The above table is prepared on the assumption that no further Shares are issued or repurchased between the date of this announcement and the day immediately preceding the date on which the Capital Reorganisation becomes effective.
- (b) Save for the Options which entitle the holders thereof to subscribe for an aggregate of 4,979,154 Shares, the Company does not have any outstanding options or other securities which are convertible or exchangeable into Shares as at the date of this announcement.

The implementation of the Capital Reorganisation will not, of itself, materially alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders, save for any fractional Consolidated Shares to which Shareholders would otherwise be entitled.

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation.

## **F. Reasons for the Capital Reorganisation**

The Board believes that the Capital Reorganisation is in the interests of the Company and the Shareholders as a whole given that:

- (a) the Capital Reorganisation will give greater flexibility to the Company to raise funds in the future through issue of new Adjusted Shares as the Company is not permitted to issue new Shares below their nominal value under the laws of the Cayman Islands and its articles of association;
- (b) the Share Consolidation will reduce the transaction costs for dealings in the Shares/ Adjusted Shares, including those fees which are charged with reference to the number of board lots; and
- (c) the partial elimination of the Company's accumulated losses will allow greater flexibility for the Company to pay dividends in the future.

## **G. Exchange of share certificates**

Subject to the passing of the relevant resolution approving the Capital Reorganisation, Shareholders may, during business hours from 2 November 2010 until 8 December 2010, submit their existing certificates for the Shares to the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in exchange for new certificates for the Adjusted Shares at the expenses of the Company. Thereafter, existing certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each new certificate issued for the Adjusted Shares or each old share certificate for the Shares submitted for cancellation, whichever the number of certificates issued or cancelled is higher. Nevertheless, certificates for the existing Shares will continue to be good evidence of legal title and may be exchanged for certificates for the Adjusted Shares at any time.

## **(2) CHANGE OF BOARD LOT SIZE**

Upon the Capital Reorganisation becoming effective, the Board also proposes to change the board lot size for trading of shares from 10,000 Shares to 4,000 Adjusted Shares.

Based on the closing price of HK\$0.18 per Share as quoted on the Stock Exchange on the Last Trading Day, the prevailing board lot value is HK\$1,800 in the board lot size of 10,000 Shares and, based on the theoretical adjusted closing price of the Adjusted Shares with reference to the closing price of HK\$0.18 per Share on the Last Trading Day, the new estimated board lot value would be HK\$7,200 in the new board lot size of 4,000 Adjusted Shares.

To facilitate the trading of odd lots (if any) of the Adjusted Shares arising from the Capital Reorganisation and the change of board lot size, the Company has agreed to procure an agent to arrange for matching services regarding the sale and purchase of odd lots of Adjusted Shares on a best efforts basis, during the period from 16 November 2010 to 6 December 2010 (both days inclusive). Further details in respect of the odd lots trading arrangement will be set out in the circular of the Company to be despatched to the Shareholders.

**(3) PROPOSED RIGHTS ISSUE ON THE BASIS OF SIX (6) RIGHTS SHARES FOR EVERY ADJUSTED SHARE HELD ON THE RECORD DATE**

The Rights Issue is proposed to take place after and is conditional upon the Capital Reorganisation becoming effective.

**A. Issue statistics**

Basis of the Rights Issue	:	Six (6) Rights Shares for every Adjusted Share held on the Record Date
Subscription Price	:	HK\$0.30 per Rights Share
Number of Shares in issue as the date of this announcement	:	297,562,500 Shares
Number of Adjusted Shares in issue upon the Capital Reorganisation becoming effective	:	Not less than 29,756,250 Adjusted Shares (assuming that no further Shares are issued or repurchased between the date of this announcement and the day immediately preceding the date on which the Capital Reorganisation becomes effective) and not more than 30,043,985 Adjusted Shares (assuming all subscription rights attached to the outstanding Options (other than the Options held by Dr. Cheung and Mr. Cheung) are exercised on or before the day immediately preceding the date on which the Capital Reorganisation becomes effective)
Number of Rights Shares	:	Not less than 178,537,500 Rights Shares and not more than 180,263,910 Rights Shares

Save for the Options which entitle the holders thereof to subscribe for an aggregate of 4,979,154 Shares, the Company does not have any outstanding options or other securities which are convertible or exchangeable into Shares as at the date of this announcement.

## **B. Qualifying Shareholders**

The Company will send: (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) the Prospectus, for information only, to the Excluded Overseas 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 be a Qualifying Shareholder.

In order to be registered as members of the Company on the Record Date, Shareholders must lodge any transfer of Adjusted Shares (with the relevant share certificates) for registration with Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on 8 November 2010.

## **C. Rights of Overseas Shareholders**

The Prospectus Documents will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

The Company will make enquiries pursuant to Rule 17.41 of the GEM Listing Rules regarding the feasibility of extending the offer of the Rights Shares to the Overseas Shareholders. If, based on legal opinions provided by legal advisers of the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that/those place(s), the Rights Issue will not be extended to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus. The Company will send copies of the Prospectus to the Excluded Overseas Shareholders for their information only, but will not send any provisional allotment letter or form of application for excess Rights Shares to them.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Overseas Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the Excluded Overseas Shareholders. The Company will retain individual amounts of HK\$100 or less for the benefit of the Company. Any unsold entitlement of the Excluded Overseas Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be made available for excess application by the Qualifying Shareholders.

#### **D. Subscription Price**

HK\$0.30 per Rights Share, payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment of the Rights Shares or application for excess Rights Shares, or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 83.33% to the theoretical closing price of HK\$1.80 per Adjusted Share, based on the closing price of HK\$0.18 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted to take into account the effect of the Capital Reorganisation;
- (b) a discount of approximately 41.18% to the theoretical ex-rights price of approximately HK\$0.51 per Adjusted Share, based on the closing price of HK\$0.18 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted to take into account the effect of the Capital Reorganisation; and
- (c) a discount of approximately 83.78% to the average theoretical closing price of approximately HK\$1.85 per Adjusted Share, based on the average closing price of HK\$0.1852 per Share as quoted on the Stock Exchange from 17 June 2010 to the Last Trading Day, both days inclusive, being the last five consecutive full trading days immediately before the date of this announcement and adjusted to take into account the effect of the Capital Reorganisation.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the market price of the Shares under the prevailing market conditions. The Directors (excluding the independent non-executive Directors who will give their views on the Rights Issue after taking into account the advice of the independent financial adviser) consider that the discount of the Subscription Price would encourage the Shareholders to participate in the Rights Issue and accordingly maintain their pro-rata shareholdings in the Company and participate in the future growth of the Group, and that the terms of the Rights Issue (including the rate of the underwriting commission) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **E. Status of Rights Shares**

The Rights Shares, when fully paid and issued, will rank pari passu in all respects with the Adjusted Shares then in issue, including the right to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment of the Rights Shares.

## **F. Application for excess Rights Shares**

Qualifying Shareholders may apply for any unsold entitlements of the Excluded Overseas Shareholders and any Rights Shares provisionally allotted but not accepted.

Application may be made by completing a prescribed form of application for excess Rights Shares. The Board will allocate the excess Rights Shares at its discretion on a fair and reasonable basis, in proportion to the number of excess Rights Shares being applied for under each application and no preference will be given for topping up odd lots of shares to whole board lots.

## **G. Share certificates and refund cheques**

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted on or before 3 December 2010 to those who have accepted or where applicable applied for, and paid for the Rights Shares, by ordinary post at their own risk, and refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares are also expected to be posted on or before 3 December 2010 by ordinary post to the applicants at their own risk.

## **H. Application for listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms.

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 dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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, will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy and any other applicable fees and charges in Hong Kong.

## **I. Irrevocable undertakings**

As at the date of this announcement, Dr. Cheung together with her nominee hold an aggregate of 74,781,000 Shares and GEM Hero holds an aggregate of 43,200,000 Shares. Each of them has undertaken to the Company and the Underwriter, among others, that (i) she/it will not, and will procure that her/its nominee(s) will not, dispose of or transfer, or agree to dispose of or transfer, any Shares held by her/it before the Record Date; and (ii) she/it will, and will procure her/its nominee(s) to, subscribe in full for all the Rights Shares which she or it will be entitled under the Rights Issue. In addition, Dr. Cheung has undertaken that she will not apply for any excess Rights Shares under the excess application arrangement under the Rights Issue.

Further, Dr. Cheung and Mr. Cheung, each holding Options to subscribe for 1,050,898 Shares in the Company, have undertaken to the Company and the Underwriter that they will not exercise any of the subscription rights attached to the Options granted by the Company to them before the Record Date.

## **J. Conditions of the Rights Issue**

The Rights Issue is conditional upon the following conditions being fulfilled or waived (as appropriate):

- (a) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) not later than the Prospectus Posting Date;
- (b) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Excluded Overseas Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (c) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms by no later than their first day of dealings;
- (d) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;

- (e) the passing of the necessary resolution by the Shareholders at the EGM to approve the Capital Reorganisation;
- (f) the passing of the necessary resolution by the Independent Shareholders at the EGM to approve the Rights Issue;
- (g) the Capital Reorganisation having become effective;
- (h) compliance with and performance by the Company of all the undertakings and obligations under the terms of the Underwriting Agreement;
- (i) compliance with and performance by Dr. Cheung of all undertakings and obligations contained in her undertaking as more particularly described in the paragraph headed “Irrevocable undertakings” above;
- (j) compliance with and performance by GEM Hero of all undertakings and obligations contained in its undertaking as more particularly described in the paragraph headed “Irrevocable undertakings” above; and
- (k) compliance with and performance by Mr. Cheung of all undertakings and obligations contained in his undertaking as more particularly described in the paragraph headed “Irrevocable undertakings” above.

If any of the conditions precedent is not satisfied or waived (other than conditions (a) to (g) which cannot be waived) by the Latest Time for Termination (or such other time and/or date as stipulated in such conditions) or such other date as the Company and the Underwriter may agree, the Underwriting Agreement shall terminate and no party shall have any claim against the other save for all reasonable costs and expenses incurred by the Underwriter in connection with the underwriting of the Rights Shares and any antecedent breaches.

#### **K. The Underwriting Agreement**

Date : 5 July 2010

Underwriter : Kingston Securities Limited. As at the date of this announcement, the Underwriter is interested in 1,995,000 Shares and Best China Limited, being an associate of the Underwriter, is interested in 4,597,500 Shares. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

- Number of Rights Shares : The Underwriter has agreed to underwrite not less than underwritten by the Underwriter 107,748,900 Underwritten Shares and not more than 109,475,310 Underwritten Shares, subject to the terms and conditions of the Underwriting Agreement
- Commission : 2.5% of the aggregate Subscription Price of the maximum number of Underwritten Shares

#### **L. Termination of the Underwriting Agreement**

If, prior to the Latest Time for Termination:

- (a) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
- (i) the introduction of any new law or 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 absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
  - (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 or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (b) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction of trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

- (c) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Group as a whole, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of the Company or a major subsidiary of it or the destruction of any material asset of the Group; or
- (d) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which in the absolute opinion of the Underwriter may materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
- (e) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (f) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
- (g) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

#### **M. Reasons for the Rights Issue and use of proceeds of the Rights Issue**

As the PRC economy continues to soar, the demand for high-end beauty and skin care products and beauty services in the PRC also rises. With a view to bringing better returns to the Shareholders, the Group is actively seeking opportunities to expand its beauty, slimming and spa businesses and products distribution business in the PRC. The entering into of the Consultancy Agreement marks the first step towards such goal. Details in relation to the Consultancy Agreement are set out under the paragraph headed "Issue of Unlisted Warrants under a Consultancy Agreement" below. The Board believes that the Rights Issue will enable the Group to strengthen its capital base and enhance its financial position to prepare for such growth. Since the Rights Issue will allow the Qualifying Shareholders to maintain their shareholdings in the Company, the Board considers raising capital through the Rights Issue is in the interest of the Company and the Shareholders as a whole.

The estimated net proceeds of the Rights Issue will be approximately HK\$50 million (assuming no further Shares are issued or repurchased on or prior to the Record Date) (equivalent to net price of each Rights Share of approximately HK\$0.28) or HK\$50.5 million (assuming the outstanding Options (other than those held by Dr. Cheung and Mr. Cheung) are exercised in full on or prior to the Record Date) (equivalent to net price of each Rights Share of approximately HK\$0.28). The Company intends to apply such net proceeds for expanding the Group's beauty, slimming and spa businesses and products distribution business in the PRC and as general working capital.

#### **N. Closure of register of members**

The register of members of the Company will be closed from 9 November 2010 to 11 November 2010 (both days inclusive) to determine the eligibility of the Shareholders to the Rights Issue. No transfer of Adjusted Shares will be registered during this period.

#### **O. Warning**

**The Rights Issue is conditional upon, among other things, the passing of the necessary resolution by the Independent Shareholders at the EGM, the Capital Reorganisation becoming effective and the Underwriting Agreement not being terminated in accordance with the terms thereof. If any of the above conditions is not satisfied, the Rights Issue will not proceed.**

**Shareholders should note that Shares will be dealt in on an ex-entitlement basis commencing from 5 November 2010 and that dealings in the Shares/Adjusted Shares and the Rights Shares in nil-paid form will take place while the conditions to which the Rights Issue is subject remain unfulfilled. Any Shareholder or other person dealing in the Shares/Adjusted Shares and the Rights Shares in nil-paid form up to the date on which all conditions to which the Rights Issue is subject remain unfulfilled, will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares/Adjusted Shares and Rights Shares in nil-paid form who is in any doubt about his/her/its position is recommended to consult his/her/its own professional adviser.**

#### **(4) PLACING OF CONVERTIBLE NOTES**

On 5 July 2010, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Placing Agent agreed to place, on a best effort basis, over a period of 60 days from the date the Capital Reorganisation becomes effective, the Placing Convertible Notes up to an aggregate principal amount of HK\$20,000,000 upon the Capital Reorganisation becoming effective.

As at the date of this announcement, the Placing Agent is interested in 1,995,000 Shares and Best China Limited, being an associate of the Placing Agent, is interested in 4,597,500 Shares. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Based on the initial Conversion Price of HK\$0.50 per Conversion Share, a maximum number of 40,000,000 Conversion Shares will be allotted and issued if the conversion rights attached to the Placing Convertible Notes are exercised in full, representing approximately 134.43% of the issued share capital of the Company immediately after the Capital Reorganisation becoming effective and approximately 57.34% of the issued share capital of the Company as enlarged by the allotment and issue of such Conversion Shares.

Completion of the Placing is conditional upon:

- (a) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which the Company and the Placing Agent do not reasonably object) listing of and permission to deal in the Conversion Shares to be issued upon exercise of the conversion rights attached to the Placing Convertible Notes;
- (b) the Capital Reorganisation having become effective; and
- (c) the passing by the Shareholders at the EGM of the necessary resolution approving the Placing Agreement and the transactions contemplated thereunder including but not limited to the allotment and issue of the Conversion Shares and the creation and issue of the Placing Convertible Notes.

If the above conditions precedent are not fulfilled within 10 business days from the date the Placing Agent notifies the Company that it has procured subscribers for the Placing Convertible Notes (or such later date as may be agreed between the Placing Agent and the Company), then the obligations of the parties in respect of the issue and placing of the Placing Convertible Notes shall lapse.

Pursuant to the terms of the Placing Agreement, the Placing Agent shall be entitled to a fee equivalent to 2.5% of the aggregate principal amount of the Placing Convertible Notes for which it has procured subscribers who take up the Placing Convertible Notes.

The principal terms of the Placing Convertible Notes are set out in the section headed “Principal terms of the Convertible Notes” below.

## **(5) ISSUE OF CONVERTIBLE NOTE CONSTITUTING A CONNECTED TRANSACTION**

On 5 July 2010, the Company and Dr. Cheung entered into the Subscription Agreement pursuant to which the Company agreed to issue, and Dr. Cheung agreed to subscribe, or procure the subscription by her nominee, for the Subscription Convertible Note in the principal amount of HK\$20,000,000 upon the Capital Reorganisation becoming effective. Dr. Cheung will satisfy the subscription money as to approximately HK\$14,000,000 by setting off an equivalent amount of debt owing by the Company to her and as to approximately HK\$6,000,000 by cash.

Based on the initial Conversion Price of HK\$0.50 per Conversion Share, a maximum number of 40,000,000 Conversion Shares will be allotted and issued if the conversion rights attached to the Subscription Convertible Note are exercised in full, representing approximately 134.43% of the issued share capital of the Company immediately after the Capital Reorganisation becoming effective and approximately 57.34% of the issued share capital of the Company as enlarged by the allotment and issue of such Conversion Shares.

Completion of the Subscription is conditional upon:

- (a) the passing of an ordinary resolution by the Independent Shareholders to approve the Subscription Agreement and the transactions contemplated thereunder, including, but not limited to, the issue of the Subscription Convertible Note and the Conversion Shares at the EGM;
- (b) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject to conditions to which the Company does not reasonably object) listing of and permission to deal in the Conversion Shares to be issued pursuant to the Subscription Convertible Note;
- (c) the Capital Reorganisation having become effective;
- (d) all necessary statutory, governmental and regulatory obligations having been complied with and all necessary statutory, governmental, regulatory and third party consents and waivers having been obtained and all filings having been made by each of the Company and Dr. Cheung; and
- (e) the Subscription Agreement not being terminated by Dr. Cheung in accordance with the terms thereof.

If the above conditions precedent are not fulfilled on or before 31 December 2010 (or such later date as may be agreed between Dr. Cheung and the Company), the Subscription Agreement shall lapse and become null and void and the parties thereto shall be released from all obligations thereunder, save for any liability arising out of any antecedent breaches thereof.

The principal terms of the Subscription Convertible Note are set out in the section headed “Principal terms of the Convertible Notes” below.

## (6) PRINCIPAL TERMS OF THE CONVERTIBLE NOTES

Principal amount	:	HK\$40,000,000
Conversion Price	:	The initial Conversion Price is HK\$0.50 per Conversion Share, subject to adjustments in certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity derivative issues.

The Conversion Price represents:

- (a) a discount of approximately 72.22% to the theoretical closing price of HK\$1.80 per Adjusted Share, based on the closing price of HK\$0.18 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted to take into account the effect of the Capital Reorganisation;
- (b) a discount of approximately 1.96% to the theoretical ex-rights price of approximately HK\$0.51 per Adjusted Share, based on the closing price of HK\$0.18 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted to take into account the effect of the Capital Reorganisation;
- (c) a discount of approximately 72.97% to the average theoretical closing price of approximately HK\$1.85 per Adjusted Share, based on the average closing price of HK\$0.1852 per Share as quoted on the Stock Exchange from 17 June 2010 to the Last Trading Day, both days inclusive, being the last five consecutive full trading days immediately before the date of this announcement and adjusted to take into account the effect of the Capital Reorganisation; and
- (d) a discount of approximately 73.26% to the theoretical audited consolidated net assets value of the Company attributable to the Shareholders of approximately HK\$1.87 per Adjusted Share as at 31 March 2010 (based on the audited consolidated net assets value of the Company attributable to the Shareholders of approximately HK\$55,765,000 and 297,562,500 Shares in issue as at 31 March 2010 and adjusted to take into account the effect of the Capital Reorganisation).

The Conversion Price was arrived at after arm's length negotiation between the relevant parties with reference to the market price of the Shares under the prevailing market conditions.

Conversion right : The holder(s) of the Convertible Notes shall have the right to convert, on any business day from the date of issue of the Convertible Notes until five (5) business days before the maturity date of the Convertible Notes, the whole or part only in an integral multiple of HK\$1,000,000 of the principal amount of the Convertible Notes into Conversion Shares at the Conversion Price.

The Conversion Shares will be issued under the specific mandate proposed to be sought from the Shareholders at the EGM.

Maturity : The second anniversary from the date of issue of the Convertible Notes. To the extent not previously converted into Conversion Shares, the Company shall, on the maturity date of the Convertible Notes, redeem the Convertible Notes at 100% of the outstanding principal amount.

Interest : 2% per annum, payable annually in arrears

Ranking of Conversion Shares : The Conversion Shares shall rank pari passu in all respects with all other Adjusted Shares in issue at the date on which a notice is given for the exercise of conversion rights and be entitled to all dividends and other distributions the record date of which falls on a date on or after the notice for the exercise of conversion rights is given but excluding any entitlement to the Rights Issue.

Voting : The holder(s) of the Convertible Notes will not be entitled to receive notice of, attend or vote at any meeting of the Company by reason only of it/they being the holder(s) of the Convertible Notes.

- Transferability : The Convertible Notes may be transferred to any third party. Any transfer of the Convertible Notes shall be in respect of the whole or part only in an integral multiple of HK\$1,000,000 of the outstanding principal amount of the Convertible Notes.
- In the event of any transfer of the Convertible Notes to a connected person of the Company, the transferor shall notify the Company in writing of such transfer, so that the Company will promptly notify the Stock Exchange of such transfer.
- Early redemption : At any time after the date of issue of the Convertible Notes and before the fifth business day before the date of maturity, the Company may redeem all or part (in an integral multiple of HK\$1,000,000) of the Convertible Notes at a price being equal to 100% of the face value of the part of principal amount of Convertible Notes proposed to be redeemed together with interest accrued thereon up to but excluding the date of redemption.
- Listing : No application will be made for the listing of, or permission to deal in, the Convertible Notes on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

In order to expand the Group's beauty, slimming and spa businesses in the PRC and develop its growing beauty product distribution business, the Group would require additional working capital. In view of the current market conditions, the Directors consider that the Placing and the Subscription represent a good opportunity for the Company to raise additional working capital at relatively low cost. The Directors (excluding the independent non-executive Directors who will give their views on the Subscription after taking into account the advice of the independent financial adviser) consider that the terms of the Placing Agreement and the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Assuming all Placing Convertible Notes are successfully placed out the estimated net proceeds of the Placing and the Subscription are approximately HK\$25,500,000, which are intended to be applied by the Company for expanding the Group's beauty, slimming and spa businesses and product distribution business in the PRC and as general working capital. The net issue price of each Conversion Share is approximately HK\$0.49.

## (7) ISSUE OF UNLISTED WARRANTS UNDER A CONSULTANCY AGREEMENT

On 24 June 2010, the Company and the Consultant entered into the Consultancy Agreement pursuant to which the Company agreed to appoint the Consultant to provide certain consultancy services in relation to the Group's business in Hong Kong and the PRC. Pursuant to the Consultancy Agreement, the Company agreed to issue to the Consultant unlisted Warrants to subscribe up to an aggregate amount of HK\$16,250,000 for Adjusted Shares. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Consultant and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

The Consultancy Agreement has come into force from the date of signing and shall continue until 31 March 2015. Pursuant to the terms of the Consultancy Agreement, the Consultant shall, among other things, provide at least 100 points of sale for the Group's products in the PRC before 31 December 2010 and assist in the promotion, development and expansion of the Group's franchise business in the PRC.

In consideration of the services provided by the Consultant to the Company, the Consultant shall be entitled to a consultancy fee payable in the following manner:

- (a) for the period commencing from 1 July 2010 and ending 31 March 2011, a fixed monthly consultancy fee of HK\$78,000;
- (b) for the year commencing from 1 April 2011 and ending 31 March 2012, a consultancy fee comprising cash and Warrants calculated as follows if and on the condition that the net profits of the Group for the financial year ending 31 March 2012 exceed HK\$50,000,000:

	<b>Amount of the consultancy fee payable by the Company in cash</b>	<b>Amount of Warrants exercisable by the Consultant</b>
If the net profits exceed HK\$50,000,000 but do not exceed HK\$75,000,000	HK\$3,750,000 plus an amount equals to 10% of the net profits over and above HK\$50,000,000	HK\$3,750,000 plus an amount equals to 10% of the net profits over and above HK\$50,000,000
If the net profits exceed HK\$75,000,000	HK\$6,250,000 plus an amount equals to 20% of the net profits over and above HK\$75,000,000	HK\$6,250,000

- (c) for the year commencing from 1 April 2012 and ending 31 March 2013, the consultancy fee comprising cash and Warrants calculated as follows if and on the condition that the net profits of the Group for the financial year ending 31 March 2013 exceed HK\$100,000,000:

	<b>Amount of the consultancy fee payable by the Company in cash</b>	<b>Amount of Warrants exercisable by the Consultant</b>
If the net profits exceed HK\$100,000,000 but do not exceed HK\$125,000,000	HK\$7,500,000 plus an amount equals 10% of the net profits over and above HK\$100,000,000	HK\$7,500,000 plus an amount equals to 10% of the net profits over and above HK\$100,000,000
If the net profits exceed HK\$125,000,000	HK\$10,000,000 plus an amount equals to 20% of the net profits over and above HK\$125,000,000	HK\$10,000,000

- (d) for the year ending 31 March 2014, a consultancy fee equivalent to an amount equals to 15% of the net profits of the Group for the financial year ending 31 March 2014 if and on the condition that the net profits of that financial year exceed HK\$125,000,000; and
- (e) for the year ending 31 March 2015, a consultancy fee equivalent to an amount equals to 15% of the net profits of the Group for the financial year ending 31 March 2015 if and on the condition that the net profits of that financial year exceed HK\$150,000,000.

The issue of Warrants is subject to and conditional on:

- (a) the passing of the necessary resolution by the Shareholders at the EGM approving the issue of the Warrants and issue and allotment of any Warrant Shares in accordance with the relevant provisions in the GEM Listing Rules and the applicable law and regulations in Hong Kong;
- (b) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Warrant Shares; and
- (c) the Capital Reorganisation having become effective.

In the event that any of the above conditions is not fulfilled on or before 31 December 2010 or such later date as the parties thereto may agree in writing, the Company will satisfy that part of the consultancy fee payable in Warrants by such other means as the parties may agree in writing, and failing such agreement, in cash.

The principal terms of the Warrants are set out below:

- Exercise period : In relation to the First Batch of Warrants, a period of two (2) years from the date of despatch of the annual report of the Company for the financial year ending 31 March 2012 and, in relation to the Second Batch of Warrants, a period of two (2) years from the date of despatch of the annual report of the Company for the financial year ending 31 March 2013, unless the Consultancy Agreement is terminated in accordance with the terms thereof in which event the exercise period shall end on the expiry of three (3) months after the date of termination.
- Exercise price : In relation to the First Batch of Warrants, HK\$1.00 per Warrant Share, and in relation to the Second Batch of Warrants, HK\$1.20 per Warrant Share (both subject to adjustments in certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity derivative issues).

The Exercise Price represents:

- (a) a discount of approximately 33.33% to 44.44% to the theoretical closing price of HK\$1.80 per Adjusted Share, based on the closing price of HK\$0.18 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted to take into account the effect of the Capital Reorganisation;
- (b) a premium of approximately 96.08% to 135.29% over the theoretical ex-rights price of approximately HK\$0.51 per Adjusted Share, based on the closing price of HK\$0.18 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted to take into account the effect of the Capital Reorganisation;
- (c) a discount of approximately 35.14% to 45.95% to the average theoretical closing price of approximately HK\$1.85 per Adjusted Share, based on the average closing price of HK\$0.1852 per Share as quoted on the Stock Exchange from 17 June 2010 to the Last Trading Day, both days inclusive, being the last five consecutive full trading days immediately before the date of this announcement and adjusted to take into account the effect of the Capital Reorganisation; and

- (d) a discount of approximately 35.83% to 46.52% to the theoretical audited consolidated net assets value of the Company attributable to the Shareholders of approximately HK\$1.87 per Adjusted Share as at 31 March 2010 (based on the audited consolidated net assets of the Company attributable to the Shareholders of approximately HK\$55,765,000 and 297,562,500 Shares in issue as at 31 March 2010 and adjusted to take into account the effect of the Capital Reorganisation).

The Exercise Price was arrived at after arm's length negotiation between the relevant parties with reference to the market price of the Shares under the prevailing market conditions and the services to be rendered by the Consultant under the Consultancy Agreement.

The Warrant Shares : Based on the initial Exercise Price of HK\$1.00 or HK\$1.20 per Warrant Share, a maximum number of 14,583,333 Warrant Shares will be allotted and issued if the subscription rights attached to the Warrants are exercised in full, representing approximately 49.01% of the issued share capital of the Company immediately after the Capital Reorganisation becoming effective and approximately 32.89% of the issued share capital of the Company as enlarged by the allotment and issue of such Warrant Shares.

The Warrant Shares shall rank pari passu in all respects with all other Adjusted Shares in issue at the date on which a notice is given for the exercise of subscription rights and be entitled to all dividends and other distributions the record date of which falls on a date on or after the notice for the exercise of subscription rights is given.

The Warrant Shares will be issued under the specific mandate proposed to be sought from the Shareholders at the EGM.

Voting : The Consultant will not be entitled to receive notice of, attend or vote at any meeting of the Company by reason only of it being the holder of the Warrants.

- Transferability : The Warrants are not transferable.
- Listing : No application will be made for the listing of, or permission to deal in, the Warrants on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares.

The ultimate beneficial owner of the Consultant has more than 30 years of experience in the franchise business in the PRC. The Directors believe that by leveraging on his extensive experience and strong business connection in the PRC, the Group would be able to tap into the fast growing market of the PRC which has large potential and growing demand for beauty, skin care and slimming products. The Directors believe that by rewarding the Consultant with the Warrants and setting performance targets which the Consultant must achieve before exercising the Warrants will motivate and give incentives to the Consultant to contribute to the long term success and prosperity of the Group and are in the interests of the Company and the Shareholders as a whole.

Assuming that the Warrants are exercised by the Consultant in full, the estimated net proceeds arising therefrom will be approximately HK\$16,200,000 (equivalent to net price of each Warrant Share of approximately HK\$1.11). The Company intends to apply such net proceeds for expanding the Group's beauty, slimming and spa businesses and product distribution business in the PRC and as general working capital.

## (8) SHAREHOLDING IN THE COMPANY

For illustration purposes only, the shareholding structure of the Company as at the date of this announcement and immediately before and after the Capital Reorganisation, the Rights Issue, the exercise of the conversion rights under the Convertible Notes and the exercise of the subscription rights under the Warrants is as follows:

### (a) Assuming none of the outstanding Options is exercised prior to the Record Date

Shareholders	As at the date of this announcement		Immediately after the completion of the Capital Reorganisation		Immediately after the Rights Issue (all Rights Shares are subscribed by the Qualifying Shareholders)		Immediately after the Rights Issue (none of the Rights Shares are subscribed by the Qualifying Shareholders other than Dr. Cheung and her associates and GEM Hero)		Immediately after the Rights Issue and full conversion of the Convertible Notes (all Rights Shares are subscribed by the Qualifying Shareholders)		Immediately after the Rights Issue and full conversion of the Convertible Notes (none of the Rights Shares are subscribed by the Qualifying Shareholders other than Dr. Cheung and her associates and GEM Hero)		Immediately after the Rights Issue and full conversion of the Convertible Notes and full exercise of the Warrants (all Rights Shares are subscribed by the Qualifying Shareholders)		After the Rights Issue, full conversion of the Convertible Notes and full exercise of the Warrants (none of the Rights Shares are subscribed by the Qualifying Shareholders other than Dr. Cheung and her associates and GEM Hero)	
	No. of Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%
Dr. Cheung and her associates	74,781,000	25.13	7,478,100	25.13	52,346,700	25.13	52,346,700	25.13	92,346,700	32.03	92,346,700	32.03	92,346,700	30.49	92,346,700	30.49
GEM Hero	43,200,000	14.52	4,320,000	14.52	30,240,000	14.52	30,240,000	14.52	30,240,000	10.49	30,240,000	10.49	30,240,000	9.98	30,240,000	9.98
The Underwriter	1,995,000	0.67	199,500	0.67	1,396,500	0.67	1,079,480	0.51	1,396,500	0.48	1,079,480	0.37	1,396,500	0.46	1,079,480	0.35
Placees of the Placing Convertible Notes	—	—	—	—	—	—	—	—	40,000,000	13.87	40,000,000	13.87	40,000,000	13.21	40,000,000	13.21
The Consultant	—	—	—	—	—	—	—	—	—	—	—	—	14,583,333	4.81	14,583,333	4.81
Other public Shareholders	177,586,500	59.68	17,758,650	59.68	124,310,550	59.68	17,758,650	8.52	124,310,550	43.13	17,758,650	6.17	124,310,550	41.05	17,758,650	5.87
<b>Total</b>	<b>297,562,500</b>	<b>100.00</b>	<b>29,756,250</b>	<b>100.00</b>	<b>208,293,750</b>	<b>100.00</b>	<b>208,293,750</b>	<b>100.00</b>	<b>288,293,750</b>	<b>100.00</b>	<b>288,293,750</b>	<b>100.00</b>	<b>302,877,083</b>	<b>100.00</b>	<b>302,877,083</b>	<b>100.00</b>

**(b) Assuming all of the outstanding Options (other than those held by Dr. Cheung and Mr. Cheung) are exercised in full as at the date of this announcement**

	As at the date of this announcement		Immediately after the completion of the Capital Reorganisation		Immediately after the Rights Issue (all Rights Shares are subscribed by the Qualifying Shareholders)		Immediately after the Rights Issue (none of the Rights Shares are subscribed by the Qualifying Shareholders other than Dr. Cheung and her associates and GEM Hero)		Immediately after the Rights Issue and full conversion of the Convertible Notes (all Rights Shares are subscribed by the Qualifying Shareholders)		Immediately after the Rights Issue and full conversion of the Convertible Notes (none of the Rights Shares are subscribed by the Qualifying Shareholders other than Dr. Cheung and her associates and GEM Hero)		Immediately after the Rights Issue and full conversion of the Convertible Notes and full exercise of the Warrants (all Rights Shares are subscribed by the Qualifying Shareholders)		After the Rights Issue, full conversion of the Convertible Notes and full exercise of the Warrants (none of the Rights Shares are subscribed by the Qualifying Shareholders other than Dr. Cheung and her associates and GEM Hero)	
	No. of Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%
Shareholders																
Dr. Cheung and her associates	74,781,000	24.89	7,478,100	24.89	52,346,700	24.89	52,346,700	24.89	92,346,700	31.81	92,346,700	31.81	92,346,700	30.29	92,346,700	30.29
GEM Hero	43,200,000	14.38	4,320,000	14.38	30,240,000	14.38	30,240,000	14.38	30,240,000	10.42	30,240,000	10.42	30,240,000	9.92	30,240,000	9.92
The Underwriter	1,995,000	0.66	199,500	0.66	1,396,500	0.66	109,674,810	52.15	1,396,500	0.48	109,674,810	37.78	1,396,500	0.46	109,674,810	35.97
Places of the Placing Convertible Notes	—	—	—	—	—	—	—	—	40,000,000	13.78	40,000,000	13.78	40,000,000	13.12	40,000,000	13.12
The Consultant	—	—	—	—	—	—	—	—	—	—	—	—	14,583,333	4.78	14,583,333	4.78
Other Option holders other than Dr. Cheung and Mr. Cheung	2,877,358	0.96	287,735	0.96	2,014,145	0.96	287,735	0.14	2,014,145	0.69	287,735	0.10	2,014,145	0.66	287,735	0.09
Other public Shareholders	177,586,500	59.11	17,758,650	59.11	124,310,550	59.11	17,758,650	8.44	124,310,550	42.82	17,758,650	6.11	124,310,550	40.77	17,758,650	5.83
<b>Total</b>	<b>300,439,858</b>	<b>100.00</b>	<b>30,043,985</b>	<b>100.00</b>	<b>210,307,895</b>	<b>100.00</b>	<b>210,307,895</b>	<b>100.00</b>	<b>290,307,895</b>	<b>100.00</b>	<b>290,307,895</b>	<b>100.00</b>	<b>304,891,228</b>	<b>100.00</b>	<b>304,891,228</b>	<b>100.00</b>

*Notes:*

- Dr. Cheung has no intention to convert the Subscription Convertible Note to the extent that such conversion will trigger a general offer for all the securities of the Company (other than those already owned or agreed to be acquired by Dr. Cheung and her concert parties) under the Takeovers Code. In the event that a general offer is triggered as a result of the conversion of the Subscription Convertible Note, Dr. Cheung will comply with the relevant requirements under the Takeovers Code and the GEM Listing Rules.
- This scenario is for illustrative purpose only and will never occur. Pursuant to the Underwriting Agreement, in the event of the Underwriter being called upon to subscribe for or procure subscribers to subscribe for any of the Underwritten Shares not taken up by the Qualifying Shareholders (“**Untaken Shares**”):
  - the Underwriter shall not subscribe, for its own account, for such number of the Untaken Shares which will result in the shareholding of it and parties acting in concert (within the meaning of the Takeovers Code) with it in the Company to exceed 19.9% of the voting rights of the Company upon the completion of the Rights Issue; and

- (b) the Underwriter shall use all reasonable endeavours to ensure that each of the subscribers of the Untaken Shares procured by it (i) shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Directors or chief executive of the Company or substantial Shareholders or their respective associates; and (ii) save for the Underwriter itself and its associates, shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 10.0% or more of the voting rights of the Company upon completion of the Rights Issue.

## (9) TENTATIVE TIMETABLE

The tentative timetable for the Capital Reorganisation and the Rights Issue is set out below:

2010

Circular to be despatched on . . . . . Monday, 26 July

Latest time for lodging proxy form for the EGM . . . . . 11:00 a.m. on Monday, 16 August

Date and time of the EGM . . . . . 11:00 a.m. on Wednesday, 18 August

Announcement of results of the EGM. . . . . before 11:00 p.m. on Wednesday, 18 August

**The following events are conditional on the results of the EGM and the relevant Court hearings. The dates are therefore tentative.**

Effective date of the Capital Reorganisation . . . . . Tuesday, 2 November

Adjusted Shares commence trading on the  
Stock Exchange . . . . . 9:30 a.m. on Tuesday, 2 November

Original counter for trading in the Shares  
in board lots of 10,000 Shares closes . . . . . 9:30 a.m. on Tuesday, 2 November

Temporary counter for trading in the Adjusted Shares  
in board lots of 1,000 Adjusted Shares (in the form of  
existing share certificates) opens . . . . . 9:30 a.m. on Tuesday, 2 November

First day of free exchange of share certificates for existing Shares for  
new share certificates for Adjusted Shares . . . . . Tuesday, 2 November

Last day of dealings in the Adjusted Shares  
on a cum-rights basis . . . . . Thursday, 4 November

First day of dealings in the Adjusted Shares on an ex-rights basis . . . . .	Friday, 5 November
Latest time for lodging transfers of the Adjusted Shares in order to qualify for the Rights Issue . . . . .	4:30 p.m. on Monday, 8 November
	Tuesday, 9 November to Thursday, 11 November
Closure of register of members . . . . .	(both days inclusive)
Record Date . . . . .	Thursday, 11 November
Register of members re-opens . . . . .	Friday, 12 November
Despatch of the Prospectus Documents by ordinary post . . . . .	Friday, 12 November
Original counter for trading in the Adjusted Shares in board lots of 4,000 Adjusted Shares (in the form of new share certificates) re-opens . . . . .	9:30 a.m. on Tuesday, 16 November
Parallel trading in the Adjusted Shares (in the form of new share certificates and existing share certificates) commences. . . . .	9:30 a.m. on Tuesday, 16 November
Designated broker starts to stand in the market to provide the matching service. . . . .	9:30 a.m. on Tuesday, 16 November
First day of dealings in nil-paid Rights Shares . . . . .	Tuesday, 16 November
Latest time for splitting of nil-paid Rights Shares . . . . .	4:30 p.m. on Thursday, 18 November
Last day of dealings in nil-paid Rights Shares . . . . .	Tuesday, 23 November
Latest time for acceptance of the Rights Shares as well as application for excess Rights Shares and payment of consideration therefor . . . . .	4:00 p.m. on Friday, 26 November
Latest time for Rights Issue and Underwriting Agreement to become unconditional . . . . .	4:00 p.m. on Wednesday, 1 December
Announcement of results of acceptance of the Rights Issue . . . . .	Thursday, 2 December

Despatch of refund cheques in respect of wholly or partially unsuccessful excess applications by ordinary post . . . . .	Friday, 3 December
Despatch of certificates for fully-paid Rights Shares by ordinary post . . . . .	Friday, 3 December
Temporary counter for trading in the Adjusted Shares in board lots of 1,000 Adjusted Shares (in the form of existing share certificates) closes . . . . .	4:00 p.m. on Monday, 6 December
Parallel trading in the Adjusted Shares (in the form of new share certificates and existing share certificates) ends . . . . .	4:00 p.m. on Monday, 6 December
Designated broker ceases to stand in the market to provide matching services. . . . .	4:00 p.m. on Monday, 6 December
Commencement of dealings in fully-paid Rights Shares . . . . .	Tuesday, 7 December
Last day of free exchange of the share certificates for existing Shares for new share certificates for Adjusted Shares . . . . .	Wednesday, 8 December

*Notes:*

1. All references to time in this announcement are references to Hong Kong time.
2. Dates or deadlines specified in this announcement are indicative and may be extended or varied. Any changes to the above tentative timetable will be published or notified to the Shareholders as and when appropriate.

**(10) ADJUSTMENT TO THE SUBSCRIPTION PRICE OF THE OUTSTANDING OPTIONS**

The completion of the Capital Reorganisation and the Rights Issue may lead to adjustments to the exercise price and/or the number of Adjusted Shares which may be issued upon exercise of the Options. The Company will notify the holders of the Options by way of announcement regarding adjustments to be made (if any) pursuant to the terms of the Share Option Scheme and such adjustments will be certified by an independent financial adviser.

## (11) FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The following table summarises the fund raising activities undertaken by the Company in the 12 months immediately preceding the date of this announcement:

<b>Date of announcement</b>	<b>Transaction</b>	<b>Net proceeds raised</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
23 July 2009	Open offer of 4,799,400,000 shares of HK\$0.01 each in the share capital of the Company at the subscription price of HK\$0.01 per share offered on the basis of five offer shares for every one share held	Approximately HK\$46 million	For repayment of debts and as general working capital of the Company and for financing its operations and activities for expanding its existing beauty, slimming and spa businesses and developing the growing beauty product distribution business in order to improve its financial position and to enrich and diversify its business, bringing better returns to the Shareholders	Approximately HK\$20 million was used for repayment of debts, approximately HK\$22 million has been utilised as general working capital of the Company and the remaining balance is deposited in bank accounts of the Company
11 January 2010	Top-up placing of 191,970,000 shares of HK\$0.01 each in the share capital of the Company at the placing price of HK\$0.02 per share	Approximately HK\$3.6 million	As general working capital of the Company	The proceeds have not yet been utilised and are deposited in bank accounts of the Company

## (12) GENERAL

The Group is principally engaged in the provision of beauty and slimming services from slimming centres, distribution sales of cosmetic and skin care products and sales of other health and beauty products.

As the Rights Issue will increase the issued share capital of the Company by more than 50%, pursuant to Rule 10.29 of the GEM Listing Rules, the Rights Issue must be made conditional on approval by the Independent Shareholders at the EGM, where the controlling Shareholders, or in the case that the Company has no controlling Shareholder, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates are required to abstain from voting in favour of the Rights Issue. As at the date of this announcement, the Company did not have any controlling Shareholder. Dr. Cheung, an executive Director, who together with her nominee holds an aggregate of 74,781,000 Shares, will abstain from voting in favour of the resolution approving the Rights Issue at the EGM. In addition, given the Underwriter's interest in the Underwriting Agreement, it and its associate, which together hold an aggregate of 6,592,500 Shares as at the date hereof, will also abstain from voting in favour of the resolution approving the Rights Issue at the EGM.

Further, as Dr. Cheung is a Director and a substantial Shareholder, she is a connected person of the Company under the GEM Listing Rules. Accordingly, the Subscription constitutes a connected transaction for the Company and given that the applicable percentage ratios in respect of the Subscription exceed 5% and HK\$10,000,000, it is subject to the approval of the Independent Shareholders at the EGM. Dr. Cheung and her associates will abstain from voting at the EGM on the proposed resolution approving the Subscription Agreement and the transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on the terms of the Rights Issue and the Subscription. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in these regards.

A circular containing, among other things, (i) further details of the Capital Reorganisation, the changes of board lot size, the Rights Issue, the Placing, the Subscription and the issue of Warrants; (ii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue and the Subscription; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue and the Subscription; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or around 26 July 2010.

### **(13) RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange was suspended with effect from 2:30 p.m. on 24 June 2010 at the request of the Company pending the release of this announcement and application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 7 July 2010.

## (14) DEFINITIONS

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

“Adjusted Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately after the Capital Reorganisation becoming effective
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Capital Reduction”	the proposed reduction of the nominal value of each issued Consolidated Share from HK\$2.00 to HK\$0.01 by cancelling HK\$1.99 of the paid-up capital on each Consolidated Share and the cancellation of the entire amount of the authorised but unissued share capital
“Capital Reorganisation”	the proposed capital reorganisation of the Company comprising the Share Consolidation, the Capital Reduction and the Increase in Authorised Capital
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Law”	the Companies Law (2009 Revision) of the Cayman Islands
“Company”	Sau San Tong Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$2.00 each in the share capital of the Company immediately after the Share Consolidation becoming effective
“Consultancy Agreement”	the consultancy agreement dated 24 June 2010 entered into between the Company and the Consultant
“Consultant”	Wealth Capital Investment Limited, a company incorporated in the British Virgin Islands with limited liability

“Conversion Price”	HK\$0.50 per Conversion Share (subject to adjustments)
“Conversion Share(s)”	those new Adjusted Share(s) to be issued by the Company upon exercise of the conversion rights attached to the Convertible Notes
“Convertible Notes”	the two per cent. convertible notes with an aggregate principal amount of up to HK\$40,000,000 to be issued by the Company pursuant to the Placing Agreement and the Subscription Agreement
“Court”	the Grand Court of the Cayman Islands
“Director(s)”	the director(s) of the Company
“Dr. Cheung”	Dr. Cheung Yuk Shan, Shirley, the Chairman of the Company and an executive Director
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of approving, among other things, the Capital Reorganisation, the Rights Issue, the Placing, the Subscription and the issue of Warrants
“Excluded Overseas Shareholder(s)”	those Overseas Shareholder(s) whose address(es) is/are in (a) place(s) where, the Directors, based on legal opinions provided by legal advisers of the Company, consider it necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Rights Shares to such Shareholder(s)
“Exercise Price”	in relation to the First Batch of Warrants, HK\$1.00 per Warrant Share, and in relation to the Second Batch of Warrants, HK\$1.20 per Warrant Share (both subject to adjustments)
“First Batch of Warrants”	Warrants to subscribe up to a maximum aggregate amount of HK\$6,250,000 for Adjusted Shares
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Hero”	GEM Hero Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a substantial Shareholder
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Increase in Authorised Capital”	the increase in the authorised share capital of the Company to HK\$10,000,000 divided into 1,000,000,000 Adjusted Shares
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders in respect of the Rights Issue and the Subscription
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the relevant resolution(s) at the EGM pursuant to the GEM Listing Rules
“Last Trading Day”	23 June 2010, being the last full trading day of the Shares on the Stock Exchange immediately before the issue of this announcement
“Latest Time for Acceptance”	4:00 p.m. on 26 November 2010 or such later time and/or date as may be agreed between the Underwriter and the Company, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus
“Latest Time for Termination”	4:00 p.m. on the third business day after the Latest Time for Acceptance or such later time and/or date as may be agreed between the Underwriter and the Company, being the latest time to terminate the Underwriting Agreement
“Mr. Cheung”	Mr. Cheung Ka Heng, Frankie, an executive Director
“Options”	share options granted by the Company pursuant to the Share Option Scheme
“Overseas Shareholder(s)”	those Shareholder(s) with registered address(es) (as shown in register of members of the Company on the Record Date) which is/are outside Hong Kong
“Placing”	the private placing of the Placing Convertible Notes by the Placing Agent pursuant to the terms of the Placing Agreement

“Placing Agent” or “Underwriter”	Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the placing agreement dated 5 July 2010 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Convertible Notes”	Convertible Notes of up to an aggregate principal amount of HK\$20,000,000 to be placed by the Placing Agent pursuant to the Placing Agreement
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus, the provisional allotment letter and the form of application for excess Rights Shares
“Prospectus Posting Date”	12 November 2010 or such later date as may be agreed between the Underwriter and the Company for the despatch of the Prospectus Documents
“Qualifying Shareholder(s)”	Shareholder(s), other than the Excluded Overseas Shareholder(s), whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date
“Record Date”	11 November 2010 or such other date as the Underwriter may agree in writing with the Company as the date for determining the entitlements of the Shareholders to participate in the Rights Issue
“Rights Issue”	the proposed issue by way of rights of not less than 178,537,500 Rights Shares and not more than 180,263,910 Rights Shares on the basis of six (6) Rights Shares for every Adjusted Share held on the Record Date at the Subscription Price payable in full on acceptance
“Rights Share(s)”	new Adjusted Share(s) of HK\$0.01 each to be allotted and issued under the Rights Issue
“Second Batch of Warrants”	Warrants to subscribe up to a maximum aggregate amount of HK\$10,000,000 for Adjusted Shares

“Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of the Company before the Capital Reorganisation becoming effective
“Share Consolidation”	the proposed consolidation of every 10 Shares of HK\$0.20 each in the issued share capital of the Company into one Consolidated Share of HK\$2.00 each
“Share Option Scheme”	the share option scheme adopted by the Company on 4 November 2003
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Convertible Note by Dr. Cheung or her nominee pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 5 July 2010 entered into between the Company and Dr. Cheung in relation to the Subscription
“Subscription Convertible Note”	Convertible Note of a principal amount of HK\$20,000,000 to be subscribed by Dr. Cheung or her nominee pursuant to the Subscription Agreement
“Subscription Price”	the subscription price for the Rights Shares, being HK\$0.30 per Rights Share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriting Agreement”	the underwriting agreement dated 5 July 2010 entered into between the Company and the Underwriter in relation to the Rights Issue
“Underwritten Shares”	not less than 107,748,900 Rights Shares and not more than 109,475,310 Rights Shares underwritten by the Underwriter

“Warrant Share(s)”	those new Adjusted Share(s) to be issued by the Company upon exercise of the subscription rights attached to the Warrants
“Warrants”	the unlisted warrants to subscribe up to an aggregate amount of HK\$16,250,000 for Adjusted Shares to be issued by the Company to the Consultant pursuant to the Consultancy Agreement

On behalf of the Board  
**Cheung Yuk Shan, Shirley**  
*Chairman*

Hong Kong, 6 July 2010

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

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

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