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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 IN RELATION TO
DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF
THE TARGET COMPANY AND ASSIGNMENT
OF THE SHAREHOLDER'S LOAN**

Financial Adviser to the Company



INCU Corporate Finance Limited

THE DISPOSAL

The Board is pleased to announce that on 1 June 2020 (after trading hours), the Vendor, a direct wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Share, representing the entire issued share capital of the Target Company together with the Shareholder's Loan at the Consideration of HK\$23,000,000.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the Company will cease to have any interest in the Target Company. The financial results of the Target Company will no longer be consolidated into the consolidated financial statements of the Group following Completion.

* *For identification purpose only*

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio(s) (as defined in Chapter 19 of the GEM Listing Rules) in respect of the Disposal exceed 25% but are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules.

GENERAL

The circular containing, among other things, (i) further information of the Disposal; and (ii) notice of the EGM, will be despatched to the Shareholders on or before 22 June 2020 as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment or waiver (as the case may be) of the conditions precedent set out in the Agreement and therefore may or may not occur. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares and other securities of the Company.

INTRODUCTION

The Board is pleased announce that on 1 June 2020 (after trading hours), the Purchaser and the Vendor entered into the Agreement in respect of the Disposal.

The principal terms of the Agreement are set out below:

THE AGREEMENT

Date

1 June 2020 (after trading hours)

Parties

- (i) the Vendor (as vendor); and
- (ii) the Purchaser (as purchaser)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Purchaser is an investment holding company and (ii) the Purchaser and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

Assets to be disposed of

The Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Share together with the Shareholder's Loan. The Sale Share represents the entire issued share capital of the Target Company. The Shareholder's Loan, representing all sums for which the Target Company is indebted to the Vendor as at Completion Date, the outstanding amount of which is approximately HK\$17,109,000 as at the date of this announcement.

The Target Company holds the entire legal and beneficial interest of the Property. Further details of the Target Company and the Property are set out below in the section headed "**INFORMATION OF THE TARGET COMPANY AND THE PROPERTY**".

Consideration

The Consideration for the sale and purchase of the Sale Share and the assignment of the Shareholder's Loan shall be an aggregate sum of HK\$23,000,000, which shall be apportioned as follows:

- (a) the consideration for the sale and purchase of the Sale Share shall be an amount calculated by deducting the Loan Consideration (as defined below) from the Consideration; and
- (b) the consideration for the assignment of the Shareholder's Loan shall be equal to the face value of the Shareholder's Loan as at Completion Date (the "**Loan Consideration**").

The Consideration payable by the Purchaser to the Vendor is HK\$23,000,000 and shall be payable in cash in the following manner:

- (a) HK\$1,000,000 being initial deposit has been paid by the Purchaser to the Vendor upon signing of the Agreement;
- (b) HK\$1,300,000 being further deposit shall be paid by the Purchaser to the Vendor on or before 26 June 2020; and
- (c) HK\$20,700,000 being the balance of the Consideration shall be paid by the Purchaser to the Vendor upon Completion.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to the prevailing market price of similar properties of similar size, character and location and preliminary valuation of HK\$22,000,000 as at 31 March 2020 valued by an independent valuer engaged by the Company. The Company has engaged a third-party property agency company to assist in negotiation of the terms to ensure the price to be within market range.

Formal Agreement

The Formal Agreement in relation to the Disposal shall be entered into on or before 26 June 2020. In the event that no Formal Agreement has been entered into, the Agreement shall be treated as the Formal Agreement.

Conditions precedent

Completion is conditional upon the following:

- (a) the Purchaser having completed its due diligence investigation on the business, financial, legal and all other aspects of the Target Company and with no reasonable objection to the same;
- (b) the Vendor, shall at the Vendor's own cost, procure the Target Company to prove and give a good title to the Property in accordance with Sections 13 and 13A of the Conveyancing and Property Ordinance (Cap.219 of the Laws of Hong Kong);
- (c) all the representations, undertakings and warranties given by the Vendor under the Agreement and the Formal Agreement are and shall remain true, accurate, correct and complete and not misleading in all respects up to the Completion; and
- (d) the approval being obtained from the Shareholders to the entering into and implementation of the transactions contemplated under the Agreement or if signed, the Formal Agreement at the EGM by 31 July 2020 or such later date as the parties thereto may agree in writing (the "**Prescribed Date**"). In the event of non-fulfillment of this condition by the Prescribed Date, all deposits paid shall within 7 days after the Prescribed Date be refunded to the Purchaser's solicitors on behalf of the Purchaser (as the Purchaser thereby authorizes) and the Vendor shall pay the Purchaser an additional sum equivalent to the deposit paid by way of liquidated damages, and the parties shall at their own costs enter into a cancellation agreement, whereupon the parties thereto shall have no further claims or liability against each other. The Vendor undertakes to procure the holding of the EGM at the earliest opportunity for the purpose of obtaining the necessary approval without delay. The Vendor further undertakes to notify the Purchaser in writing as soon as reasonably practicable the result of the EGM and (as appropriate) the fulfilment of this condition. The Purchaser shall assist the Vendor by providing such necessary information and documents of the Purchaser as may be required to be included in the announcement and the circular of the Company pursuant to the requirements of the GEM Listing Rules.

Termination

Should the Purchaser fail to complete the Disposal in accordance with the terms of the Agreement, the Vendor shall be entitled to forfeit the deposits paid absolutely as liquidated damages and terminate the Agreement and then re-sell the Sale Share and the Shareholder's Loan to anyone they think fit and the Vendor shall not take any action to claim against the Purchaser for any further liabilities and/or damages nor for specific performance of the Agreement.

Save and except for condition (d) above, should the Vendor after receiving the deposits paid but fail to complete the Disposal in accordance with the terms of the Agreement, the Vendor shall immediately refund the deposits paid to the Purchaser and compensate the Purchaser with a sum equivalent to the amount of the deposits as liquidated damages and the Purchaser shall not take any further action to claim for damages or enforce specific performance.

Completion

Upon compliance with or fulfilment (or waiver) of all the above conditions, Completion shall take place on the Completion Date.

INFORMATION OF THE GROUP

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

INFORMATION OF THE VENDOR

The Vendor, a company incorporated in the BVI with limited liability, is a direct wholly-owned subsidiary of the Company. The Vendor is an investment holding company.

INFORMATION OF THE TARGET COMPANY AND THE PROPERTY

The Target Company is a company incorporated in Hong Kong with limited liability. The Target Company is wholly owned by the Vendor. The principal business of the Target Company is investment holding and its only asset is the Property.

The Target Company is the sole legal and beneficial owner of the Property. The Property, located at Ascot Tower, 45-47 Village Road, Happy Valley, Hong Kong, which consists of a residential unit on a floor (with saleable area of 975 square feet) with a flat roof area of approximately 1,960 square feet and a car parking space on the ground floor. As at the date of the Agreement, the Property is not subject to any tenancy.

Set out below is the unaudited financial information of the Target Company for the years ended 31 March 2019 and 2020:

	For the year ended 31 March 2019 <i>HK\$'000</i> (unaudited)	For the year ended 31 March 2020 <i>HK\$'000</i> (unaudited) <i>(Note)</i>
Revenue	—	—
Net profit/(loss) before taxation	(2,435)	9,399
Net profit/(loss) after taxation	(2,435)	9,399

Note: The acquisition of Target Company by the Group completed on 5 July 2019. Therefore, the results of the Target Company was consolidated into consolidated financial statements of the Group since 5 July 2019.

The unaudited net asset value of the Target Company as at 31 March 2020 was approximately HK\$4,532,000.

FINANCIAL EFFECT OF THE DISPOSAL

As at the date of this announcement, the Target Company is a wholly-owned subsidiary of the Company. Upon Completion, the Target Company will cease to be a subsidiary of the Company and the Company will cease to have any interest in the Target Company. The financial results of the Target Company will no longer be consolidated into the consolidated financial statements of the Group following Completion.

Based on the net proceeds from the Disposal of approximately HK\$22,440,000 (after deducting of estimated professional fees and other related expenses of approximately HK\$560,000) and the Company's carrying value, being the unaudited net asset value of the Target Company and the book value of the Shareholder's Loan, in aggregate of approximately HK\$21,641,000 as at 31 March 2020, it is estimated that the Company will record a gain of approximately HK\$799,000 as a result of the Disposal. The actual gain or loss to be recorded by the Company depends on the net asset/liability value of the Target Company as at the Completion Date, which is subject to final audit to be performed by the auditors of the Company.

INFORMATION OF THE PURCHASER

The Purchaser is an investment holding company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

The Target Company, which owns the Property as its only asset, and the Shareholder's Loan were acquired on 5 July 2019 with an acquisition cost of HK\$20,000,000. The Property was acquired for investment purpose to allow the Group to enjoy capital appreciation. The Board considers that the Disposal is a good opportunity for the Group to realise its investment property held with a considerable profit as compared to original acquisition cost and will improve the liquidity of the Group. It is expected that the net proceeds from the Disposal of approximately HK\$22,440,000 will be used as general working capital of the Group.

The Directors consider that:

- (a) the terms and conditions of the Agreement are on normal commercial terms that are fair and reasonable; and
- (b) the Disposal is in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio(s) (as defined in Chapter 19 of the GEM Listing Rules) in respect of the Disposal exceed 25% but are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules.

GENERAL

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, as at the date of this announcement, none of the Shareholders or any of their respective associates have a material interest in the Disposal, thus no Shareholder is required to abstain from voting for the resolution if the Company were to convene a general meeting to approve the Disposal.

A circular of the Company containing, amongst other things, details of the Disposal, the notice convening the general meeting together with proxy form, and any other information as required by the GEM Listing Rules, is expected to be despatched to the Shareholders on or before 22 June 2020.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment or waiver (as the case may be) of the conditions precedent set out in the Agreement and therefore may or may not occur. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares and other securities of the Company.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Agreement”	the provisional sale and purchase agreement dated 1 June 2020 entered into between the Purchaser and the Vendor for the disposal of the Sale Share together with the Shareholder’s Loan
“Board”	the board of Directors
“BVI”	the British Virgin 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 the GEM
“Completion”	completion of the Disposal
“Completion Date”	a day on or before 28 August 2020
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Consideration”	HK\$23,000,000 being the consideration for the Disposal
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Share together with the Shareholder’s Loan by the Vendor to the Purchaser pursuant to the Agreement
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the terms of the Agreement and the transactions contemplated thereunder
“Formal Agreement”	the formal agreement to be entered into between the Purchaser and the Vendor for the disposal of the Sale Share together with the Shareholder’s Loan

“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Property”	a residential unit on a floor with a flat roof and a car parking space located at Ascot Tower, 45-47 Village Road, Happy Valley, Hong Kong
“PRC”	the People’s Republic of China
“Purchaser”	Winhall Holdings Limited, a company incorporated in Hong Kong with limited liability, which ultimate beneficial owners are independent third parties
“Sale Share”	10,000 issued shares of the Target Company, representing the entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.16 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder’s Loan”	the loan (if any) owed by the Target Company to the Vendor as of the Completion Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Earth Limited, a company incorporated in Hong Kong with limited liability

“Vendor” Profit Hunting Development Limited, a company incorporated in BVI with limited liability, a direct wholly-owned subsidiary of the Company

“%” per cent

By Order of the Board
Sau San Tong Holdings Limited
Mui Wai Sum
Executive Director

Hong Kong, 1 June 2020

As at the date of this announcement, the Board comprises executive directors namely Mr. Mui Wai Sum and Mr. Chan Ka Kin; non-executive director namely Mr. Takashi Togo; independent non-executive directors namely Ms. Chiu Kam Hing, Kathy, Mr. Lau Wai Leung, Alfred and Mr. Au Siu Lun.

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 in this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company’s website at www.sst-holding.com.