



**SAU SAN TONG HOLDINGS (CAYMAN ISLANDS) LIMITED**

**修身堂控股（開曼群島）有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 8200)

**ANNOUNCEMENT OF FIRST QUARTERLY RESULTS  
FOR THE THREE MONTHS ENDED 30 JUNE 2004**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE  
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*This announcement, for which the directors (the “Directors”) of Sau San Tong Holdings (Cayman Islands) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors of the Company, 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; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on the bases and assumptions that are fair and reasonable.*

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

\* For identification purpose only

## **HIGHLIGHTS**

Consolidated turnover of the Group for the three months ended 30 June 2004 increased by 14% to HK\$50,924,000 compared to HK\$44,643,000 for the three months ended 30 June 2003 (the “last corresponding period”).

The Group recorded a profit attributable to shareholders of HK\$14,375,000 for the three months ended 30 June 2004, representing an increase of 10% compared to the last corresponding period.

The Board does not recommend the payment of dividend for the three months ended 30 June 2004.

## UNAUDITED CONSOLIDATED RESULTS

The board of Directors (the “Board”) of Sau San Tong Holdings (Cayman Islands) Limited (the “Company”) is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 30 June 2004 (the “Period Under Review”), together with the comparative unaudited figures for the last corresponding period, as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>For the three months ended 30 June</b>	
	<i>Notes</i>	<b>2004 HK\$'000</b>	<b>2003 HK\$'000</b>
Turnover	2	<b>50,924</b>	44,643
Cost of sales		<b>(5,699)</b>	(8,247)
Gross profit		<b>45,225</b>	36,396
Other revenue	2	<b>123</b>	5
Selling and distribution expenses		<b>(20,653)</b>	(15,532)
General and administrative expenses		<b>(7,382)</b>	(4,571)
Profit from operations		<b>17,313</b>	16,298
Finance costs		<b>(2)</b>	(29)
Profit before taxation		<b>17,311</b>	16,269
Taxation	3	<b>(2,833)</b>	(2,811)
Profit after taxation		<b>14,478</b>	13,458
Minority interests		<b>(103)</b>	(420)
Profit attributable to shareholders		<b>14,375</b>	13,038
Dividends	4	<b>–</b>	1,000
Earnings per share	5		
Basic		<b>2.68 cents</b>	2.47 cents
Diluted		<b>2.57 cents</b>	n/a

Notes:

## 1. Group reorganization and basis of preparation

The Company was incorporated in the Cayman Islands on 21 May 2002 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganization (the “Reorganization”) to rationalize the group structure in preparation for the listing of the Company’s shares on GEM, the Company became the holding company of the Group upon completion of the Reorganization on 4 November 2003. Further details of the Reorganization are set out in the Company’s prospectus dated 10 November 2003 (the “Prospectus”). The Group resulting from the Reorganization, is regarded as a continuing entity for the accounting purpose.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants, the disclosure requirements of Hong Kong Companies Ordinance and the GEM Listing Rules. They have been prepared under the historical cost convention.

## 2. Turnover and other revenue

Turnover represents the invoiced value of goods sold, net of discounts and returns and the appropriate proportion of contract revenue from services rendered, net of discounts.

	Three months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
<b>Turnover</b>		
Sales of health and beauty products	4,850	10,462
Operation of slimming centres	46,074	34,181
	<u>50,924</u>	<u>44,643</u>
<b>Other revenue</b>		
Interest income	1	–
Management fee income	90	–
Others	32	5
	<u>123</u>	<u>5</u>
<b>Total revenue</b>	<u><b>51,047</b></u>	<u><b>44,648</b></u>

### 3. Taxation

Hong Kong profits tax has been provided for at a rate of 17.5% on the estimated assessable profits of the individual companies incorporated in Hong Kong for the three months ended 30 June 2004 (three months ended 30 June 2003: 17.5%).

	Three months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Hong Kong profits tax	3,101	3,105
Deferred taxation	(268)	(294)
	<u>2,833</u>	<u>2,811</u>

### 4. Dividend

The Board does not recommend the payment of dividend for the three months ended 30 June 2004 (three months ended 30 June 2003: HK\$1,000,000).

	Three months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Interim dividend declared and paid by the subsidiaries of the Company	(i) <u>–</u>	<u>1,000</u>

(i) *Prior to the Reorganization, certain companies of the Group had declared and paid dividends to their then shareholders.*

### 5. Earnings per share

#### (a) Basic earnings per share

The calculation of basic earnings per share for the three months ended 30 June 2004 is based on the unaudited profit attributable to shareholders of HK\$14,375,000 (three months ended 30 June 2003: HK\$13,038,000) and on the weighted average number of 537,000,000 ordinary shares in issue during the Period Under Review (three months ended 30 June 2003: 528,000,000 shares, all of which were deemed to have been issued prior to the Listing).

#### (b) Diluted earnings per share

The calculation of diluted earnings per share for the three months ended 30 June 2004 is based on the unaudited profit attributable to shareholders of HK\$14,375,000 and on 558,842,740 shares, being the weighted average number of ordinary shares outstanding during the Period Under Review adjusted for the effect of the share options during the Period Under Review.

No diluted earning per share for the three months ended 30 June 2003 has been disclosed as there were no diluting events existed.

**6. Movement of reserves**

	<b>Share capital</b> <i>HK\$'000</i>	<b>Share premium</b> <i>HK\$'000</i>	<b>Merger reserve</b> <i>HK\$'000</i>	<b>Retained earnings</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
As at 1 April 2004	5,370	24,952	(3,652)	30,743	57,413
Net profit attributable to shareholders	—	—	—	14,375	14,375
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>As at 30 June 2004</b>	<b>5,370</b>	<b>24,952</b>	<b>(3,652)</b>	<b>45,118</b>	<b>71,788</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 1 April 2003	500	4,895	—	4,317	9,712
Net profit attributable to shareholders	—	—	—	13,038	13,038
Dividends	—	—	—	(1,000)	(1,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>As at 30 June 2003</b>	<b>500</b>	<b>4,895</b>	<b>—</b>	<b>16,355</b>	<b>21,750</b>
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## **CHAIRMAN'S STATEMENT**

I am pleased to announce the first quarterly unaudited consolidated results of the Group for the three months ended 30 June 2004. During the Period Under Review, having benefited from the intense advertising campaign and the successful expansion of the slimming centres, the Group has delivered an excellent performance, recording a turnover of HK\$50,924,000 and profit attributable to shareholders of HK\$14,375,000.

In order to increase the market share of health and beauty products, the Group has dedicated significant resources for the research and development of new products. In June 2004, the Group has launched a new natural health drink to the market. Coupled with effective advertising campaign and catching the summer season, this product is well received by the general public. The Group is working diligently to launch more products to cater for the general public in the coming months.

It has always been the Group's goal to enter into the People's Republic of China ("PRC") market, especially cities along the coastal area. The Group will continue to place additional efforts and emphasis in Shanghai, the PRC and is confident that the investments in the PRC will bring fruitful returns.

Looking ahead, the Group is well positioned to capitalize on its established brand name and the improving economic condition in Hong Kong. As with most of the corporations, although the Group faces a lot of challenges ahead, we will take advantage of our strengths in customer service, our financial soundness, our unique and effective advertising strategies and operational efficiency to continue to create values for our shareholders.

## **BUSINESS REVIEW AND OUTLOOK**

### **Slimming centres**

With the opening of two new slimming centres in Causeway Bay and Shatin respectively and expansion of two existing slimming centres before 31 March 2004, the Group is operating four scaleable slimming centres. Due to their excellent performance during the Period Under Review, the Group has achieved a substantial increase in the turnover generated by these slimming centres, recording a turnover of HK\$46,074,000. The Group will continue to improve the quality of its services to become more diversified and personalized, as well as providing more value-added services to our customers.

The Group will open slimming centres in Shanghai, the PRC soon. Although the PRC Government has adopted austerity measures to control the overheated investments, however impact of these measures to our business is minimal. The management is confident that the slimming centres in Shanghai, PRC will deliver positive contribution to the Group.

### **Health and beauty products**

During the Period Under Review, the Group introduced a new natural health drink, namely "Sau San Tong Bamboo Flavones Drink – Light" (修身堂果味竹葉水) to the market. This product has been distributed through several major retail chains in Hong Kong. Coupled with the impressive advertising campaign, demand for this product has been astounding since launch and continues to demonstrate encouraged growth.

## **FINANCIAL REVIEW**

During the Period Under Review, the Group has experienced a revenue growth and improvement in operating results. Consolidated turnover of the Group increased by 14% to HK\$50,924,000 compared to HK\$44,643,000 for the last corresponding period. This increase was mostly attributable to the revenue generated from the four scaleable slimming centres. During the Period Under Review, turnover generated from slimming centres amounted to HK\$46,074,000, representing an increase of 35% compared to the last corresponding period.

The Group recorded a gross profit of HK\$45,225,000 for the three months ended 30 June 2004, representing an increase of 24% compared to the last corresponding period. The gross profit as percentage of turnover increased from 82% for the last corresponding period to 89% for the three months ended 30 June 2004.

Consolidated profit attributable to shareholders amounted to HK\$14,375,000 for the three months ended 30 June 2004, an increase of 10% from HK\$13,038,000 compared to the last corresponding period. The significant rise was primarily due to the considerable increase in the gross profit while maintaining operational productivity and efficiency.

Cash and bank balances as at 30 June 2004 were HK\$61,931,000 compared to HK\$13,341,000 as at 30 June 2003. The Group had no bank borrowings as at 30 June 2004.

As at 30 June 2004, the Group's net assets amounted to HK\$71,788,000, compared to HK\$21,750,000 as at 30 June 2003. There was no charge on the Group's assets as at 30 June 2004.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES OR SHORT POSITIONS IN SHARES

As at 30 June 2004, the interests or short positions of the Directors and the chief executive of the Company or their respective associates in shares and underlying shares (the "Shares") of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of SFO, including interests and/or short positions which they are deemed or taken to have under such provisions of the SFO, or which will be required, pursuant to section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules were as follows:

### Long position in Shares of the Company:

Name of Director	Number of Shares			Percentage of interest in the Company's issued share capital
	Corporate interests	Personal interests	Total	
Miss Cheung Yuk Shan, Shirley ("Miss Cheung")	293,200,000 (Note 1)	620,000	293,820,000	54.71%

*Note 1:* The 293,200,000 Shares were held by Biochem Investments Limited ("Biochem"), a company incorporated in the British Virgin Islands with limited liability. The entire issued share capital of Biochem is wholly owned by Miss Cheung.

### Long position in underlying shares of equity derivatives of the Company:

Name of Director	Capacity	Description of equity derivatives	Number of underlying shares
Miss Cheung Yuk Shan, Shirley	Beneficial owner	Share option (Note 1)	79,200,000
Mr. Cheung Ka Heng, Frankie	Beneficial owner	Share option (Note 1)	26,400,000

*Note 1:* The share options were granted under the Pre-IPO share option scheme.

Save as disclosed above, as at 30 June 2004, none of the Directors or chief executive of the Company or their respective associates has any personal, family, corporate or other interests or short positions in the Shares of the Company or its associated (within the meaning of Part XV of SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant the minimum standard of dealings by Directors

of the Company as referred to in Rules 5.40 to 5.58 of the GEM Listing Rules, are required to be notified to the Company and the Exchange. During the Period Under Review, there was no debt securities issued by the Company at any time.

## **INTERESTS OR SHORT POSITIONS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDER**

As at 30 June 2004, so far as known to any Directors or chief executive of the Company, the following interests of which would fall to be disclosed under Division 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the issued capital of the Company, or which were recorded in the register of interests required to be kept under Section 336 of the SFO or have notified to the Company were as follows:

### **Long position in Shares of the Company:**

Name of substantial shareholders	Number of shares			Total	Percentage of interest in the Company's issued share capital
	Corporate interests	Personal interests	Other interests		
Miss Cheung Yuk Shan, Shirley	293,200,000 (Note 1)	620,000	–	293,820,000	54.71%
Value Partners Limited	–	–	40,840,000 (Note 2)	40,840,000	7.61%

*Note 1:* The 293,200,000 Shares were held by Biochem.

*Note 2:* Mr. Cheah Cheng Hye is deemed to be interested in the Shares through his 31.82% interest in Value Partners Limited.

Saved as disclosed above, as at 30 June 2004, no person, other than the Directors of the Company and the chief executive of the Group whose interests are set out in the section “Directors’ and chief executive’s interests in Shares or short position in Shares” above, had registered an interest or short position in the share capital, underlying shares and debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## **PRE-IPO SHARE OPTION SCHEME**

Pursuant to the Company’s Pre-IPO share option scheme adopted and approved by written resolution of the sole shareholder of the Company passed on 4 November 2003, options to subscribe for an aggregate of 105,600,000 Shares at an exercise price of HK\$0.1 per share of the Company have

been conditionally granted by the Company under the Pre-IPO share option scheme. Each of the grantees has paid HK\$1.00 to the Company by way of consideration for the grant. All of these options are exercisable within the period commencing from the date falling on the expiry of the six-month period following the Listing date and ending on the expiry of five years following the Listing date but each will lapse in accordance with the terms of the Pre-IPO share option scheme if the relevant grantee ceases to be a director or an employee of the Group or on any other grounds set out in the Pre-IPO share option scheme. Particulars of the options granted are as follows:

<b>Name of grantee</b>	<b>Position</b>	<b>No. of options granted</b>	<b>No. of options outstanding as at the date hereof</b>	<b>Exercise price per underlying share</b>
Miss Cheung	Director	79,200,000	79,200,000	HK\$0.1
Mr. Cheung Ka Heng, Frankie	Director	26,400,000	26,400,000	HK\$0.1

No options granted pursuant to the Pre-IPO share option scheme as stated above has been exercised or cancelled during the Period Under Review.

#### **SPONSOR'S INTEREST**

Pursuant to a sponsor agreement dated 10 November 2003 entered into between the Company and South China Capital Limited (the "Sponsor"), the Sponsor will receive a fee for acting as the Company's retained sponsor for the period from 19 November 2003 to 31 March 2006.

As at 30 June 2004, none of the Sponsor, its directors, employees or associates (as defined in the GEM Listing Rules) had any interest in the Shares of the Company, or any right to subscribe for or to nominate persons to subscribe for any Shares of the Company.

#### **COMPETING INTERESTS**

None of the Directors or the substantial shareholder or the initial management shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or might compete with the business of the Group.

#### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the three months ended 30 June 2004.

## **AUDIT COMMITTEE**

The Group has established an audit committee with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The audit committee comprises two independent non-executive directors of the Company, namely Mr. Hong Po Kui, Martin and Mr. Li Kuo Hsing. The audit committee reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited financial results of the Group for the three months ended 30 June 2004.

## **BOARD PRACTICES AND PROCEDURES**

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules for the Period Under Review.

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

Hong Kong, 11 August 2004

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