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)

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This announcement, for which the directors (the "Directors") of Sau San Tong Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given the compliance with the Rules Governing the Listing of Securities on the 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 "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting.

* *For identification purpose only*

CONSOLIDATED INCOME ACCOUNT

The Board of Directors (the "Board'') of Sau San Tong Holdings Limited (the "Company'') is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group'') for the year ended 31 March 2006, together with the comparative audited figures for the year ended 31 March 2005, as follows:

	Notes	**2006** ***HK$'000***	2005 *HK$'000* (Restated)
Turnover	*3*	**358,650**	141,709
Cost of sales		**(276,363)**	(18,081)
Gross profit		**82,287**	123,628
Other revenue	*3*	**1,775**	393
Selling and distribution costs		**(92,359)**	(67,048)
General and administrative expenses		**(52,467)**	(38,427)
Other operating expenses		**(3,770)**	—
(Loss)/Profit from operations		**(64,534)**	18,546
Finance costs		**(144)**	(2)
Gain on partial disposal of interest in subsidiaries		**6,009**	16,010
(Loss)/Profit before taxation	*4*	**(58,669)**	34,554
Taxation	*5*	**(2,759)**	(3,484)
(Loss)/Profit for the year		**(61,428)**	31,070
Attributable to:			
Equity holders of the Company		**(59,901)**	31,123
Minority interests		**(1,527)**	(53)
		(61,428)	31,070
Dividends	*6*	**—**	12,481
(Loss)/Earnings per share	*8*		
Basic		**(9.11) cents**	5.16 cents
Diluted		**(9.11) cents**	4.72 cents

CONSOLIDATED BALANCE SHEET

As at 31 March 2006

	Note	2006 HK$'000	2005 HK$'000 (Restated)
Non-current assets			
Goodwill		**177**	140
Property, plant and equipment		**23,019**	21,435
Deferred tax assets		**366**	366
		23,562	21,941
Current assets			
Inventories		**10,158**	785
Due from minority shareholders		**—**	16,369
Prepayments, deposits and other receivables		**17,004**	35,594
Trade receivables	*9*	**25,258**	4,695
Cash and bank balances		**21,005**	33,454
		73,425	90,897
Current liabilities			
Due to a director		**2,953**	—
Due to minority shareholders		**16,385**	—
Trade payables	*10*	**15,534**	2,713
Deferred income		**22,166**	11,195
Other payables and accruals		**3,620**	4,502
Taxation payable		**642**	3,069
		61,300	21,479
Net current assets		**12,125**	69,418
Net assets		**35,687**	91,359
Capital and reserves			
Share capital		**6,669**	6,569
Reserves		**23,687**	84,832
Equity attributable to equity holders of the Company		**30,356**	91,401
Minority interests		**5,331**	(42)
Total equity		**35,687**	91,359

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2006

	Attributable to equity holders of the Company									
	Share capital	Share premium	Merger reserve	Exchange reserves	Employee share-based compensation reserve	Statutory surplus reserve	Retained profits/ (Accumulated losses)	Total	Minority interest	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2004	5,370	24,952	(3,652)	—	—	—	30,743	57,413	413	57,826
Exercise of share options	1,199	16,575	—	—	—	—	—	17,774	—	17,774
Profit for the year	—	—	—	—	—	—	31,123	31,123	(53)	31,070
Exchange adjustments	—	—	—	12	—	—	—	12	—	12
Reduction in minority interests on acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	(402)	(402)
Dividends										
— 2004 final and special dividends	—	—	—	—	—	—	(9,666)	(9,666)	—	(9,666)
— 2005 interim dividend	—	—	—	—	—	—	(5,255)	(5,255)	—	(5,255)
At 31 March 2005	6,569	41,527	(3,652)	12	—	—	46,945	91,401	(42)	91,359
At 1 April 2005	6,569	41,527	(3,652)	12	—	—	46,945	91,401	(42)	91,359
Placing of new shares	100	3,900	—	—	—	—	—	4,000	—	4,000
Share issuance costs	—	(85)	—	—	—	—	—	(85)	—	(85)
Equity settled share-based transactions	—	—	—	—	2,219	—	—	2,219	—	2,219
Loss for the year	—	—	—	—	—	—	(59,901)	(59,901)	(1,527)	(61,428)
Transfer	—	—	—		—	395	(395)	—	—	-
Exchange adjustments	—	—	—	(56)	—	4	—	(52)	(8)	(60)
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	1,963	1,963
Equity contribution by minority shareholders	—	—	—	—	—	—	—	—	4,945	4,945
Dividends										
— 2005 final dividend	—	—	—	—	—		(7,226)	(7,226)	—	(7,226)
At 31 March 2006	6,669	45,342	(3,652)	(44)	2,219	399	(20,577)	30,356	5,331	35,687

Notes:

1. Corporate information

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 and its shares have been listed on The Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 19 November 2003.

2. Basis of Preparation and Significant Accounting Policies

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which also include all Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities of the GEM of the Stock Exchange (the "GEM Listing Rules"). They have been prepared under the historical cost convention.

The HKICPA has issued a number of new/revised HKFRSs that are effective for adoption for accounting periods beginning on or after 1 April 2005. The Group adopted the following new/revised HKFRSs for the year ended 31 March 2006 which were relevant to its operations in the preparation of these financial statements. The 2005 comparatives have been restated as required, in accordance with the relevant requirement.

HKAS 1	Presentation of financial statements
HKAS 2	Inventories
HKAS 7	Cash flow statements
HKAS 8	Accounting policies, changes in accounting estimates and errors
HKAS 10	Events after the balance sheet date
HKAS 12	Income taxes
HKAS 14	Segment reporting
HKAS 16	Property, plant and equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee benefits
HKAS 21	The effects of changes in foreign exchange rates
HKAS 23	Borrowing costs
HKAS 24	Related party disclosures
HKAS 27	Consolidated and separate financial statements
HKAS 32	Financial instruments: Disclosure and presentation
HKAS 33	Earnings per share
HKAS 36	Impairment of assets
HKAS 37	Provisions, contingent liabilities and contingent assets
HKAS 38	Intangible assets
HKAS 39	Financial instruments: Recognition and measurement
HKFRS 2	Share-based payment
HKFRS 3	Business combinations

The adoption of the above new/revised HKFRSs has the following impacts on the Group's accounting policies.

— HKASs 8 and 33 have affected the disclosure of the financial statements;

— HKAS 24 has affected the identification of related parties and some other related party disclosures.

— the impact on the adoption of HKASs 1 and 27, HKFRSs 2 and 3, HKASs 36 and 38 is set out below:

(a) HKFRS 2 Share-Based Payment

In prior years, no amounts were recognised when employees were granted share options pursuant to the company's share option scheme. With the adoption of HKFRS 2, the Group recognizes the fair value of such share options as an expense in the income statement. A corresponding increase is recognised in a capital reserve within equity. No adjustments to the opening balances as at 1 April 2005 as options existed at that time had vested before 1 April 2005. The amount charged to the consolidated income statement as a result of the change of policy increased staff costs for the year ended 31 March 2006 by HK$2,219,000 (2005: HK$Nil), with the corresponding amounts credited to employee share-based compensation reserve.

(b) HKFRS 3 Business Combinations, HKAS 36 Impairment of Assets and HKAS 38 Intangible Assets)

With effect from 1 April 2005 in accordance with HKFRS 3, HKAS 36 and HKAS 38, the Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount. The new policy in respect of positive goodwill has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. As a result, comparative amounts have not been restated, the cumulative amount of amortisation as at 1 April 2005 has been offset against the cost of the goodwill and no amortisation charge for goodwill has been recognised in the income statement for the year ended 31 March 2006.

(c) HKAS 1 Presentation of Financial Statements and HKAS 27 Consolidated and Separate Financial Statements

With effect from 1 April 2005, in order to comply with HKAS 1 and HKAS 27, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company, and minority interests in the results of the Group for the year are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between the minority interests and the equity holders of the Company.

The presentation of minority interests in the consolidated balance sheet, income statement and statement of changes in equity for the comparative year has been restated accordingly.

— the other new/revised HKFRSs have no significant impact on the Group's accounting policies.

3. Turnover and revenue

Turnover represents the invoiced value of goods sold, net of discounts and returns, value-added tax and sales tax, and the appropriate proportion of contract revenue from beauty and slimming services rendered, net of discounts.

Turnover and revenue consisted of:

	2006	2005
	HK$'000	*HK$'000*
Turnover		
— Provision for beauty and slimming services from slimming centers	**77,600**	123,304
— Distribution sales of cosmetic and skin care products	**270,175**	—
— Sales of other health and beauty products	**10,875**	18,405
	358,650	141,709
Other revenue		
— Interest income	**61**	7
— Management fee income	**407**	220
— Others	**1,307**	166
	1,775	393
Total revenue	**360,425**	142,102

Segment information are set out in note 7 to this results announcement.

4. **(Loss)/Profit before taxation**

(Loss)/Profit before taxation is stated after crediting and charging the followings:

	2006	2005
	HK$'000	*HK$'000*
Crediting		
Interest income	**61**	7
Gain on partial disposal of interest in a subsidiaries	**6,009**	16,010
Management fee income	**407**	220
Charging		
Cost of sales (i)	**276,363**	18,081
Amortisation and impairment loss of goodwill	**—**	460
Depreciation	**10,276**	7,083
Impairment on amount due from a minority shareholder	**3,000**	—
Interest expenses on obligation under finance leases	**—**	2

Note:

(i) Cost of sales included depreciation of machinery of approximately HK$1,319,000 (2005: HK$1,066,000).

5. **Taxation**

No Hong Kong profits tax has been provided for the year ended 31 March 2006 as the Group did not have any assessable profit for the year (2005: 17.5%). PRC income tax has been provided at the rate of 33% (2005: Nil) on the estimated assessable profit of the subsidiaries.

The details of the taxation charge are as follows:

	2006	2005
	HK$'000	*HK$'000*
Hong Kong profits tax	**—**	4,072
PRC income tax	**2,759**	—
Deferred taxation	**—**	(588)
	2,759	3,484

6. Dividends

	Notes	2006 HK$'000	2005 HK$'000
2005 interim dividend paid of 0.8 Hong Kong cents per share	*(i)*	—	5,255
2005 final dividend proposed after the balance sheet date of 1.1 Hong Kong cents per share	*(ii)*	—	7,226
		—	12,481

The Board of Directors do not recommend the payment of any dividend for the year ended 31 March 2006.

Notes:

(i) Pursuant to a resolution passed at the Board of Directors' meeting held on 8 November 2004, an interim dividend of 0.8 Hong Kong cents per share was paid by the Company to its shareholders.

(ii) At the meeting on 23 June 2005, the Board of Directors proposed a final dividend in respect of 31 March 2005 of 1.1 Hong Kong cents per share. The final dividend was not included in the financial statements for the year ended 31 March 2005 and was accounted for in the retained profits attributable to the equity holders of the Company for the year ended 31 March 2006.

7. Segment information

(a) Business segments

An analysis of the Group's turnover and (loss)/profit attributable to equity holders of the Company by business segment is as follows:

	Distribution sales HK$'000	Services income HK$'000	Sales of other health and beauty products HK$'000	Elimination HK$'000	Group HK$'000
Year ended 31 March 2006					
Turnover					
External sales	**270,175**	**77,600**	**10,875**	**—**	**358,650**
Inter-segment sales	**—**	**—**	**2,540**	**(2,540)**	**—**
Total revenue	**270,175**	**77,600**	**13,415**	**(2,540)**	**358,650**
Segment profit/(loss)	**4,851**	**(47,360)**	**(8,806)**		**(51,315)**
Unallocated costs					**(14,994)**
Other revenue					**1,775**
Loss from operations					**(64,534)**
Finance costs					**(144)**
Gain on partial disposal of interest in subsidiaries					**6,009**
Loss before taxation					**(58,669)**
Taxation					**(2,759)**
Loss after taxation					**(61,428)**
Minority interests					**1,527**
Loss attributable to equity holders of the Company					**(59,901)**

	Distribution sales *HK$'000*	Services income *HK$'000*	Sales of other health and beauty products *HK$'000*	Elimination *HK$'000*	Group *HK$'000*
Year ended 31 March 2005					
Turnover					
External sales	—	123,304	18,405	—	141,709
Inter-segment sales	—	—	2,730	(2,730)	—
Total revenue	—	123,304	21,135	(2,730)	141,709
Segment profit	—	25,288	1,542		26,830
Unallocated costs					(8,677)
Other revenue					393
Profit from operations					18,546
Finance costs					(2)
Gain on partial disposal of interest in subsidiaries					16,010
Profit before taxation					34,554
Taxation					(3,484)
Profit after taxation					31,070
Minority interests					53
Profit attributable to equity holders of the Company					31,123

(b) Geographical segments

The following tables present revenue and results for the Group's geographical segments.

	Year ended 31 March 2006		
	Mainland China ***HK$'000***	**Hong Kong** ***HK$'000***	**Group** ***HK$'000***
Segment revenue			
Turnover	**284,607**	**74,043**	**358,650**
Segment profit/(loss)	**569**	**(51,884)**	**(51,315)**

	Year ended 31 March 2005		
	Mainland China	Hong Kong	Group
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue			
Turnover	3,259	138,450	141,709
Segment profit/(loss)	(154)	26,984	26,830

8. (Loss)/Earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share for the year ended 31 March 2006 is based on the loss attributable to equity holders of the Company of approximately HK$59,901,000 (2005: profit of approximately HK$31,123,000) and on the weighted average number of approximately 657,557,000 (2005: 603,093,000) ordinary shares in issue during the year.

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share for the year ended 31 March 2006 is based on the loss attributable to equity holders of the Company of approximately HK$59,901,000 (2005: profit of approximately HK$31,123,000) and on approximately 657,626,000 (2005: 659,287,000) shares, being the weighted average number of ordinary shares outstanding during the year adjusted for the effects of the share options during the year.

9. Trade receivables

Credit periods given to customers ranged from 30 to 90 days. The aging analysis of trade receivables, based on invoice date, is as follows:

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
0 to 30 days	**23,881**	2,772
31 to 60 days	**360**	215
61 to 90 days	**1,017**	1,708
	25,258	4,695
Represented by:		
Gross amount	**25,386**	4,695
Less: Impairment losses on doubtful debts	**(128)**	—
	25,258	4,695

10. Trade payables

Credit periods given by suppliers ranged from 0 to 30 days. The aging analysis of trade payables, based on invoice date, is as follows:

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
0 to 30 days	**15,534**	2,570
31 to 60 days	**—**	—
61 to 90 days	**—**	—
91 to 120 days	**—**	143
	15,534	2,713

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the year ended 31 March 2006 ("the Year Under Review"), the Group's consolidated turnover amounted to approximately HK$358,650,000, representing an increase of about 153.09% from approximately HK$141,709,000 last year.

Currently, the Group is operating eight slimming centers, with four in Hong Kong, two in Shanghai, one in Shenzhen and one in Hangzhou (started its operation in June 2006). During the Year Under Review, turnover generated from the slimming centers accounted for approximately 21.64% (2005: 87.01%) of the total turnover. Several health products are introduced and/or enhanced during the year, which includes "Sau San Tong One Minute Diet Tea", "Sau San Tong Healthy Mooncake" and "Easy Take - X-Fix Slim Tummy", market response to these products were positive and encouraging. Sales of the Group's product amounted to approximately HK$10,875,000, (2005: approximately HK$18,405,000) accounted for 3.03% (2005: 12.99%) of the total turnover during the year.

During the Year Under Review, the Group recorded a decrease of approximately HK$41,341,000 in gross profit. Consolidated loss attributable to the equity holders of the Company, which amounted to approximately HK$59,901,000. The downturn in the Group's performance is due to the intense competition experienced in the local market, resulting in the squeezing of revenue as well as profitability in our Hong Kong operation coupled by the increase in investments incurred with the Group's expansion of its slimming business in the People's Republic of China (the "PRC") market.

Slimming Centers

Hong Kong

The operating results of the Group are adversely affected by the industry's price cutting war during the Year Under Review. Turnover for the Hong Kong slimming centers amounted to HK$63,169,000, a decrease of 47.38% compared to HK$120,045,000 of last year. At the same time, the total deferred income for the Hong Kong slimming centers amounted to approximately HK$12,919,000 which will be crystallized as part of turnover of the Group in the coming year. The management believes the price war will start to subside as companies with lesser ability or credibility will go out of business. Being the leading slimming service provider, Sau San Tong is able to withstand the short term set back and continue to be the leader of the industry providing the most quality and professional services to its customers.

In order to continue to stay ahead of its competitors in the provision of services and treatments, the Group introduced an exclusive "Pilates Self-Activate Bodyline" programme as well as a range of comprehensive beauty and slimming services so as to widen the spectrum of treatments provided to its customers.

Mainland China

The Group slimming services experienced encourage growth in the PRC market during the Year Under Review. Turnover for the PRC slimming centers amounted to approximately HK$14,431,000, representing an increase of 342.80% compared to HK$3,259,000 of last year. The two Shanghai slimming centers recorded a turnover of approximately HK$13,659,000 for the Year Under Review and the new Shenzhen slimming centre, opened in mid-September 2005, witnessed satisfactory growth. The three slimming centers in the PRC contributed 18.60% to the Group's total turnover generated from the operation of slimming business. At the same time, the total deferred income for the above PRC slimming centers amounted to approximately HK$9,247,000 which will be crystallized as part of turnover of the Group in the coming year. The Group's fourth slimming center was opened in Hangzhou in June 2006. The management foresees the operation of the PRC continue to grow as the number of slimming centers increases.

After due consideration and research into the Guangzhou market he Group has decided to put a halt on the opening of a slimming center in Guangzhou. Looking ahead, the China market will continue to spearhead the Group's future growth. Negotiations are in place for the opening of additional slimming centers around the Mainland China. Shenzhen and Hangzhou slimming centers occupy a total area of 1,672 sq. metres and 976 sq. metres respectively. With the opening of these two slimming centers the total number and floor area in Mainland China will continue to increase as the Group will hasten the speed of expansion in order to capture additional market share.

Health and Beauty Products

Sau San Tong firmly believes its success in gaining confidence and reputation in the health and beauty industry is its ability to introduce and enhance its products to meet customer's ever-changing demand. Over the years the Group's ability to introduce innovative and quality products has earned a leading status in the Hong Kong market. The products introduced had enabled the Group to widen its customer range. During the Year Under Review, the Group has introduced "Sau San Tong One Minute Diet Tea" as well as "Sau San Tong Healthy Mooncake".

The Group will continue to introduce health and beauty products which is complimentary to the Group's existing business. Hong Kong will be the market to springboard the Group's expansion in health and beauty products into the PRC market.

Distribution Business in Mainland China

The Group broadened its income base by taping into the Mainland's distribution market through the establishment of a Sino-foreign Equity Joint Venture Company, Shanghai Dong Fang Ri Hua Sales Co. Ltd. ("Shanghai Dong Fang Ri Hua"), in which the Group has 51% interest. Shanghai Dong Fang Ri Hua has started distribution of P&G's personal care products in Shanghai and P&G's cosmetic and skin care products, like SKII in the eastern and western part of Mainland China in 1 September 2005. Turnover for the distribution business amounted to approximately HK$270,175,000 and a segment profit of approximately HK$4,851,000 during the Year Under Review.

OUTLOOK

Over years of continuous effort, Sau San Tong has successfully established a strong foothold in the health and slimming market in both Hong Kong and Mainland China. Although the slimming market is going through a period of consolidation in Hong Kong, the Group's operation in the mainland showed strong growth potential resulting in satisfactory profitability. The Group will continue to focus its core business as well as widen its business coverage by leveraging on its reputation in the market and the established network in both Hong Kong and Mainland China.

Slimming Centres

The Group's expansion pace of slimming centers in the PRC will accelerate and a team of expertise led by the Group's management was in place during the Year Under Review, to explore the PRC market. Market research has been carried out along coastal areas and more affluent cities in Mainland China before establishing more slimming centers. The management is confident that with its first mover advantage, plus the impressive results of the existing PRC slimming centres, together with the escalating level of average income in the PRC, the Group is able to seize a substantial market share in the years to come.

Health and Beauty Products

Entrance of the Sau San Tong's products into Mainland China will be one of our major goals. The management believes that there is a large market gap for mid-priced health and beauty products in Mainland China and this is the segment which the Group will be tapping into in the coming financial year.

The Group is planning the distribution for over 40 health and beauty products to be sold in Mainland China. These products are planned to be distributed to major cities in Mainland China. The Group aims to distribute approximately 100 health and beauty products in the coming financial year. With the well-established distribution network in the PRC, the Group is able to reap the best result through the effective use of resources. The management believes by leveraging on "Sau San Tong" brandname and the customer confidence built up by the Group over the years, the health and beauty products distributed by the Group will be well received in the market bringing forth an additional revenue stream for the Group.

Distribution Business in Mainland China

Shanghai Dong Fang Ri Hua will also be distributing Gillette's product in Mainland China with the acquisition of Gillette by P&G. As the PRC market continues to boom showing immense potential for P&G products, the management anticipates the revenues generated from the distribution business will experience further growth in the coming years.

Management Consultation Services

Being the leading slimming services provider in Hong Kong and Mainland China Sau San Tong has accumulated a wealth of experience in the management and operation of slimming centers as well as high caliber professionals from the industry. In order to capitalize its existing resources the Group will embark upon the provision of management consultation services for existing slimming centers as well as assist in the setting up slimming centers in the PRC and overseas. The Group is able to provide all round services which include scouting of premises, licenses application, legal and financial advises, staff training, management and operation. There will be an immense demand for this kind of services in Mainland China since the beauty and slimming market is still under developed thus there is a shortage of expertise in the area. In addition to the high demand, the management consultant service commands not much overhead costs and thus contributing positive revenue growth to the Group in the coming future.

Capital structure, liquidity and financial resources

Cash and bank balances as at 31 March 2006 were approximately HK$21,005,000 compared to approximately HK$33,454,000 as at 31 March 2005. The Group had no bank borrowings during the year and therefore the gearing ratio is zero (2005: zero).

As at 31 March 2006, the Group's liability was approximately HK$61,300,000, compared to approximately HK$21,479,000 as at 31 March 2005. Such liability will be financed by internal resources of the Group.

Treasury policy

The Group adopts a conservative approach towards its treasury policies. The Group evaluates the financial condition of its customers regularly so as to reduce the credit risk. The average outstanding days of the Group's accounts receivable was maintained at below 90 days. To manage liquidity risk, the Group closely monitors the Group's liquidity position to ensure the liquidity structure of the Group's assets, liabilities and commitments and to ensure that the Group can meet its funding requirements.

Foreign Exchange Exposure

Since the Group's assets and liabilities, revenue and payments are mainly denominated in Hong Kong Dollars and Renminbi, the Groups considers that there was no significant exposure to foreign exchange fluctuations.

Net Assets

As at 31 March 2006, the Group's net assets amounted to approximately HK$35,687,000 compared to approximately HK$91,359,000 as at 31 March 2005. There is no charge on the Group's assets as at 31 March 2006.

Contingent Liabilities

At 31 March 2006, the Group had contingent liabilities in respect of guarantee on banking facilities given by a subsidiary of approximately HK$1,456,000 (2005: HK$Nil) granted to a shareholder of the subsidiary. Save as disclosed above, there were no other material contingent liabilities.

Employee Information

As at 31 March 2006, the Group had around 500 employees (2005: over 300 employees). During the year, the Group's total staff costs amounted to approximately HK$45,343,000 (2005: approximately HK$35,432,000). Pursuant to the share option scheme adopted by the Company, share options have been granted to eligible participants to subscribe for shares in the Company under the terms and conditions stipulated therein.

The Group's remuneration policies are formulated on the basis of the performance and experience of individual employee and are in line with local market practices where the Group operates. In addition to the salary, the Group also offers to its employees other fringe benefits including provident fund and medical benefits. The Group has a share option scheme whereby qualified participants may be granted options to acquire shares of the Company. There is an aggregate of 39,390,000 outstanding options to subscribe for 39,390,000 shares of the Company pursuant to the share option scheme as at 31 March 2006.

Significant Investments and Acquisitions

During the year, the Sino-foreign Equity Joint Venture, namely Shanghai Dong Fang Ri Hua, which the Group has 51% interest, has been established for a term of 10 years. Shanghai Dong Fang Ri Hua's registered capital is US$5 million and the Group will contribute 51% of the registered capital, i.e. US$2.55 million. Up to 31 March 2006, the Group has already injected capital of approximately US$0.45 million and the remaining will be injected within the next two years.

In September 2005, the Group established a slimming centre in Shenzhen ("Shenzhen Slimming Centre"), a wholly owned foreign enterprise, for a term of 30 years. Shenzhen Slimming Centre's total investment is HK$5 million and the registered capital is HK$3.5 million. The Group has injected capital of approximately HK$1.8 million up to 31 March 2006 and the remaining will be injected within the next year.

The capital contribution will be funded by internal resources of the Group.

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

As at 31 March 2006, 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 the 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 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long position in shares of the Company:

	Number of shares			
Name of Director	**Corporate interests**	**Personal interests**	**Total**	**Approximate percentage of interest in the Company's issued share capital**
Dr. Cheung Yuk Shan, Shirley	293,200,000 *(Note 1)*	81,070,000	374,270,000	56.12%

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 Dr. Cheung Yuk Shan, Shirley.

Long position in underlying shares of the Company:

Share Option Scheme

The interests in the underlying shares of the Company arise from share options granted to the Directors of the Company under the Company's share option scheme, details of which are as follows:

Name of Director	Date of grant	Exercisable period	Subscription price per share	Aggregate long position in underlying shares of the Company	Approximate percentage of interest in the Company's issued share capital
Dr. Cheung Yuk Shan, Shirley	10 September 2004	10 September 2004 — 3 November 2013	HK$0.512	5,000,000	0.75%
Mr. Cheung Ka Heng, Frankie	10 September 2004	10 September 2004 — 3 November 2013	HK$0.512	5,000,000	0.75%

Note 1: The above interest constitutes a long position of the Director in a physically settled equity derivative for the purpose of the SFO.

Save as disclosed above, as at 31 March 2006, 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 5.46 to 5.67 of the GEM Listing Rules, are required to be notified to the Company and the Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 March 2006, so far was known to any Directors or chief executive of the Company, the following interests of which would fall to be disclosed under Divisions 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:

		Number of shareholding		
Substantial shareholder	**Capacity**	**Share**	**Percentage**	**Number of share options held**
Biochem	Beneficial owner	293,200,000	43.96%	—
Dr. Cheung Yuk Shan, Shirley	Beneficial owner	81,070,000	12.16%	5,000,000

Saved as disclosed above, as at 31 March 2006, 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 and 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors and Chief Executive's Interests and Short Positions in Shares" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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 31 March 2006, 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 shareholders 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 compete or might compete with the business of the Group.

CORPORATE GOVERNANCE PRACTICES

The Company has established a formal and transparent procedure to protect the interests of the shareholders of the Company. The Company applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the year, except that:

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Dr. Cheung Yuk Shan, Shirley is both the Chairman and chief executive officer of the Company. The Board is of the view that it is in the best interests of the Group to have Dr. Cheung, who is the founder of the Group with vast and solid experience in the beauty sector, to perform the dual role so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is most capable to guide discussions and brief the Board in a timely manner on pertinent issues.

Full details in respect of the compliance with Appendix 15 and 16 of the GEM Listing Rule in the form of a "Corporate Governance Report" will be included in the annual report for the year ended 31 March 2006.

AUDIT COMMITTEE

The Group has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The audit committee comprises three Independent Non- Executive Directors, namely Mr. Hong Po Kui, Martin, Mr. Li Kuo Hsing and Mr. Ho Yiu Ming. The audit committee has reviewed the audited financial results of the Group for the year ended 31 March 2006.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

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

Hong Kong, 26 June 2006

As at the date of this announcement, the Board comprises Executive Directors namely Dr. Cheung Yuk Shan, Shirley (Chairman), Mr. Cheung Ka Heng, Frankie, Mr. Lee Man Kwong; Independent Non-Executive Directors namely Mr. Hong Po Kui, Martin, Mr. Li Kuo Hsing and Mr. Ho Yiu Ming.