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)

QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 DECEMBER 2006

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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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 in compliance with the Rules Governing the Listing of Securities on the GEM of the 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.

* *For identification purpose only*

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

The Board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated financial results (the "Unaudited Quarterly Results") of the Company and its subsidiaries (the "Group") for the three months and nine months ended 31 December 2006 together with comparative figures of the corresponding period ended in 2005 as follows:

		For the three months ended 31 December		**For the nine months ended 31 December**	
		2006	2005	**2006**	2005
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	*2*	**83,684**	118,277	**338,826**	223,800
Cost of sales		**(61,715)**	(103,638)	**(271,915)**	(153,110)
Gross profit		**21,969**	14,639	**66,911**	70,690
Other revenue		**807**	428	**5,518**	725
Selling and distribution expenses		**(16,011)**	(19,466)	**(55,112)**	(65,745)
General and administrative expenses		**(11,445)**	(13,769)	**(33,612)**	(45,222)
Loss from operating activities		**(4,680)**	(18,168)	**(16,295)**	(39,552)
Gain on partial disposal of interest in a subsidiary	*3*	**—**	—	**—**	6,004
Finance costs		**(161)**	—	**(436)**	—
Loss before taxation		**(4,841)**	(18,168)	**(16,731)**	(33,548)
Taxation	*4*	**(2,390)**	(648)	**(3,439)**	(2,257)
Loss for the period		**(7,231)**	(18,816)	**(20,170)**	(35,805)
Attributable to:					
Equity holders of the Company		**(6,358)**	(18,457)	**(22,533)**	(37,907)
Minority interests		**(873)**	(359)	**2,363**	2,102
		(7,231)	(18,816)	**(20,170)**	(35,805)
Basic loss per share	*5*	**(0.95) cents**	(2.81) cents	**(3.38) cents**	(5.77) cents

Notes:

1. **Basis of preparation and significant accounting policies**

The results have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the GEM Listing Rules. They have been prepared under historical cost convention, except for financial assets and financial liabilities that have been measured at fair value. The principal accounting policies used in the preparation of the results are consistent with those adopted in the preparation of the annual report of the Group for the year ended 31 March 2006.

2. **Turnover and other 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.

	For the nine months ended 31 December	
	2006	2005
	HK$'000	*HK$'000*
Turnover		
— Provision for beauty and slimming services from slimming centers	**63,350**	72,205
— Distribution sales of cosmetic and skin care products	**272,328**	142,758
— Sales of other health and beauty products	**3,148**	8,837
	338,826	223,800
Other revenue		
Interest income	**100**	83
Income from management consultation services	**3,000**	—
Others	**2,418**	642
	5,518	725

3. **Gain on disposal of a subsidiary**

On 30 May 2005, the Group disposed 49% of the issued share capital of a wholly owned subsidiary to an independent third party at a consideration of HK$6,000,000. This subsidiary is an investment holding company and has not carried out any business activities at the time of disposal. The purpose to incorporate this subsidiary is to set up a slimming centre in Hangzhou which has been subsequently started in June 2006.

4. **Taxation**

No Hong Kong profits tax has been provided for the three months and nine months ended 31 December 2006 as the Group did not have any assessable profit (three months and nine months ended 31 December 2005: Nil) while PRC enterprise income tax has been provided at the rate of 33% (three months and nine months ended 31 December 2005: 33%) on the estimated assessable profit.

The details of the taxation charge are as follows:

	For the nine months ended 31 December	
	2006	2005
	HK$'000	*HK$'000*
Hong Kong profits tax	**—**	61
PRC enterprise income tax	**3,439**	2,196
	3,439	2,257

5. Loss per share

The calculation of basic loss per share for the three months and nine months ended 31 December 2006 is based on the unaudited loss attributable to equity holders of the Company of approximately HK$6,358,000 and HK$22,533,000 respectively (2005: approximately HK$18,457,000 and HK$37,907,000 respectively) and on 666,900,000 shares in issue during the periods (2005: 656,900,000 shares in issue during the periods).

No diluted loss per share for the three months and nine months ended 31 December 2006 and the corresponding period in 2005 have been presented as the exercise of the outstanding share option of the Company would result in reducing loss per share.

6. Condensed consolidated statement of changes in equity (unaudited)

	Attributable to equity holders of the Company									
	Share capital	Share premium	Merger reserve	Exchange reserve	Employee share-based compensation reserve	Statutory surplus reserve	Retained profits/ (Accumulated losses)	Total	Minority interests	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 2006	6,669	45,342	(3,652)	(44)	2,219	399	(20,577)	30,356	5,331	35,687
(Loss)/profit for the period	—	—	—	—	—	—	(22,533)	(22,533)	2,363	(20,170)
Transfers	—	—	—	—	—	178	105	283	(283)	—
Exchange adjustments	—	—	—	(21)	—	—	—	(21)	—	(21)
Share issuance expenses	—	(5)	—	—	—	—	—	(5)	—	(5)
Cancellation of share options	—	—	—	—	(462)	—	462	—	—	—
Equity contribution by minority shareholders	—	—	—	—	—	—	—	—	5,400	5,400
At 31 December 2006	**6,669**	**45,337**	**(3,652)**	**(65)**	**1,757**	**577**	**(42,543)**	**8,080**	**12,811**	**20,891**
As at 1 April 2005	6,569	41,527	(3,652)	12	—	—	46,945	91,401	(42)	91,359
(Loss)/profit for the period	—	—	—	—	—	—	(37,907)	(37,907)	2,102	(35,805)
Equity contribution by minority shareholders	—	—	—	—	—	—	—	—	6,265	6,265
Equity settled share-based transactions	—	—	—	—	2,335	—	—	2,335	—	2,335
Exchange adjustments	—	—	—	(16)	—	—	—	(16)	—	(16)
2004/05 final dividend paid	—	—	—	—	—	—	(7,226)	(7,226)	—	(7,226)
As at 31 December 2005	6,569	41,527	(3,652)	(4)	2,335	—	1,812	48,587	8,325	56,912

INTERIM DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 31 December 2006 (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the nine months ended 31 December 2006 ("the Period Under Review"), turnover amounted to approximately HK$338,826,000, representing an 51% increase from approximately HK$223,800,000 in the corresponding period in last year. Such increase is mainly contributed by Shanghai Dong Fang Ri Hua Sales Co. Ltd. ("Dong Fang"), a subsidiary of the Company since September 2005. Dong Fang is engaged in the distribution of P&G's personal care products in Shanghai and P&G's cosmetic and skin care products, including SK-II in the eastern and western part of the People's Republic of China (the "PRC"). Turnover from such distribution business amounted to approximately HK$272,328,000 during the Period Under Review.

During the Period Under Review, turnover generated from all the slimming centres in Hong Kong and in the PRC amounted to approximately HK$63,350,000 (2005: approximately HK$72,205,000). Such decrease is due to the price war in the local market. Nevertheless, there is a dramatic growth of 68% in the turnover from PRC slimming centres compared with the corresponding period in last year. Such increase is attributable to the new centres in Shenzhen and Hangzhou and customer's recognition of the Group's brand, coupled with crystallization into turnover from deferred income which was consistent with the expectation contained in the preceding two quarterly reports and the 2006 Annual Report. As at 31 December 2006, the balance of deferred income of the PRC and Hong Kong slimming centres amounted to approximately HK$21,767,000 and approximately HK$17,998,000 respectively which, again, will be crystallized as part of the turnover of the Group in the coming quarters.

During the Period Under Review, the Group recorded a slight decrease of approximately HK$3,779,000 in gross profit and has incurred a loss attributable to equity holders of the Company of approximately HK$22,533,000 (2005: approximately HK$37,907,000). The loss attributable to equity holders of the Company has been substantially reduced by 41%. Continued growth of PRC slimming centres, income from management consultation services (a new business this year) and strict cost control are the major factors in reducing the loss. In fact, salary of general staff has been reduced by 20% (excluding Dong Fang and Shenzhen centre which was acquired and incorporated respectively until September 2005, also excluding Hangzhou centre which was incorporated until June 2006) while advertising expenses has been reduced by 47% during the Period Under Review, compared with corresponding period in last year.

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Slimming Centres

The Group's expansion pace of slimming centres in the PRC will accelerate and 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.

For Hong Kong, 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 fact, the Group introduced an exclusive "Anti-aging program" as well as a range of comprehensive beauty and slimming services so as to widen the spectrum of treatments provided to its customers.

Management Consultation Services

Being the leading slimming services provider, Sau San Tong has accumulated a wealth of experience in the management and operation of slimming centres as well as high caliber professionals from the industry. In order to capitalize its existing resources, the Group has embarked the provision of management consultation services for the setting up slimming centres.

In June 2006, the Group has entered into an agreement under which management consultation services are to be provided for the setting up of a slimming centre in Canada which was subsequently open in October 2006 and was the focus of local and Canada media. In general, the service scope of the above agreement includes, scouting of premises, licenses application, legal and financial advises, staff training, management and operation.

In January 2007, the Group has entered into an agreement under which management consultation services are to be provided for the operation of a spa and massage centre in Shenzhen. The centre is in the preparation stage and is expected to commence its business in April 2007.

The above encouraging start has further strengthened the confidence of the Group in this kind of new business. The Group also believes that there will be an immense demand for this kind of services in the PRC since the beauty and slimming market there is still under developed with a shortage of expertise. Also, provision of this kind of services command not much overhead costs and thus contributing to a positive revenue growth to the Group.

Health and Beauty Products

During the past years, the Group's ability to introduce innovative and quality products has earned a leading status in the Hong Kong market. This year is not an exception. Besides the low-fat mooncakes as in previous years, the group has also introduced this year a series of beauty products using the Group's own brand and was well received by the market.

Besides Hong Kong, entrance of the Sau San Tong's products into the PRC is also one of the Group's major goals. The Group is planning the distribution of various kinds of health and beauty products to the major cities in the PRC. The progress is satisfactory. 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" brand name and the customer confidence built up over the prior years, these health and beauty products will be well received in the market bringing forth an additional revenue stream for the Group.

Distribution Business in the PRC

In September 2006, the SK-II brand was being challenged by the PRC authority in the using of chromium and neodymium which can cause skin allergies and other health problems. The effect to the Group is not enormous and is a short-term one since the product of Dong Fang is diversified enough in avoiding single product risk. In fact, the PRC government has subsequently announced that small amounts of such elements will not cause harms to human. Looking forward, 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 and will in turn provide the Group with stable source of income.

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

As at 31 December 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

Name of Director	Number of shares: Corporate interests	Number of shares: Personal interests	Number of shares: 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

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 December 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 December 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 December 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.

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.

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 unaudited results of the Group for the three months and nine months ended 31 December 2006.

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 nine months ended 31 December 2006.

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

Hong Kong, 13 February 2007

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.

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