



**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 ENDED 30 JUNE 2007**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK  
EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)**

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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 of the Company is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (the “Group”) for the three months ended 30 June 2007 together with comparative figures of the corresponding period ended in 2006 as follows:

		<b>For the three months ended 30 June</b>	
	<i>Notes</i>	<b>2007</b>	<b>2006</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	2	<b>105,696</b>	126,213
Cost of sales		<b>(77,848)</b>	(105,031)
Gross profit		<b>27,848</b>	21,182
Other revenue	2	<b>2,481</b>	1,640
Selling and distribution expenses		<b>(12,826)</b>	(18,170)
General and administrative expenses		<b>(9,425)</b>	(11,445)
Profit/(loss) from operations		<b>8,078</b>	(6,793)
Finance costs		<b>(164)</b>	(110)
Profit/(loss) before taxation		<b>7,914</b>	(6,903)
Taxation	3	<b>(647)</b>	(11)
Profit/(loss) for the year		<b>7,267</b>	(6,914)
Attributable to:			
Equity holders of the Company		<b>3,457</b>	(8,973)
Minority interests		<b>3,810</b>	2,059
		<b>7,267</b>	(6,914)
Earnings/(loss) per share	4		
Basic		<b>0.45 cents</b>	(1.35 cents)
Diluted		<b>N/A</b>	N/A

## 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 2007.

### 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 three months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
<b>Turnover</b>		
— Provision of beauty and slimming services from slimming centers	27,343	18,279
— Distribution sales of cosmetic and skin care products	78,199	106,424
— Sales of other health and beauty products	154	1,510
	<u>105,696</u>	<u>126,213</u>
<b>Other revenue</b>		
Interest income	8	19
Management and consultancy fee income	1,833	1,000
Others	640	621
	<u>2,481</u>	<u>1,640</u>

### 3. Taxation

No Hong Kong profits tax has been provided for the three months ended 30 June 2007 as the Group did not have any assessable profit (three months ended 30 June 2006: Nil). PRC enterprise income tax has been provided at the rate of 33% (three months ended 30 June 2006: 33%) on the estimated assessable profit.

The details of the taxation charge are as follows:

	<b>For the three months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong profits tax	—	—
PRC enterprise income tax	<b>647</b>	11
Deferred taxation	—	—
	<hr/>	<hr/>
	<b>647</b>	<b>11</b>
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### 4. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share for the three months ended 30 June 2007 is based on the unaudited profit attributable to equity holders of the Company for the three months ended 30 June 2007 of approximately HK\$3,457,000 (three months ended 30 June 2006: loss of approximately HK\$8,973,000) and on the weighted average number of 766,284,615 shares (three months ended 30 June 2006: on the weighted average number of 666,900,000 shares).

No diluted earnings/(loss) per share has been presented for the three months ended 30 June 2007 and the three months ended 30 June 2006 because the exercise price of the Company's share options was higher than the average market price for shares for both periods.

## 5. Condensed consolidated statement of changes in equity

	Attributable to equity holders of the Company										
	Share capital	Share premium	Merger reserve	Exchange reserve	Employee share-based compensation reserve	Statutory surplus reserve	Capital reserve	Retained profits/ losses (Accumulated)	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	HK\$'000
At 1 April 2007	6,669	45,342	(3,652)	11	1,757	444	100	(41,599)	9,072	16,636	25,708
Placing of new shares	1,330	19,950	—	—	—	—	—	—	21,280	—	21,280
Share issuance costs	—	(681)	—	—	—	—	—	—	(681)	—	(681)
Profit for the period	—	—	—	—	—	—	—	3,457	3,457	3,810	7,267
Exchange adjustments	—	—	—	329	—	—	—	—	329	3	332
At 30 June 2007	<u>7,999</u>	<u>64,611</u>	<u>(3,652)</u>	<u>340</u>	<u>1,757</u>	<u>444</u>	<u>100</u>	<u>(38,142)</u>	<u>33,457</u>	<u>20,449</u>	<u>53,906</u>
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	—	—	—	—	—	—	—	(8,973)	(8,973)	2,059	(6,914)
Exchange adjustments	—	—	—	206	—	—	—	—	206	32	238
At 30 June 2006	<u>6,669</u>	<u>45,342</u>	<u>(3,652)</u>	<u>162</u>	<u>2,219</u>	<u>399</u>	<u>—</u>	<u>(29,550)</u>	<u>21,589</u>	<u>7,422</u>	<u>29,011</u>

### INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2007 (2006: Nil).

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Business Review

For the three months ended 30 June 2007 (the “Quarter”), turnover amounted to approximately HK\$105,696,000, representing a 16% decrease from approximately HK\$126,213,000 in the corresponding period in last year. Such decrease was mainly attributable to the SK-II incident (more details in the section “Outlook” below) which adversely affected the turnover of Shanghai Dong Fang Ri Hua Sales Co. Ltd. (“Dong Fang”), a subsidiary of the Company. 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 PRC. Turnover from such distribution business amounted to approximately HK\$78,199,000 during the Quarter (2006: approximately HK\$106,424,000). Such decrease was partly compensated by the improved performance of our slimming centres in both Hong Kong and in the People’s Republic of China (the “PRC”).

During the Quarter, turnover generated from all the slimming centres in Hong Kong and in the PRC amounted to approximately HK\$27,343,000 (2006: approximately HK\$18,279,000) representing an increase of 50%. Such increase was mainly contributed by the impressive performance of our beauty and slimming centres in the PRC, together with the opening of our Hangzhou centre in June 2006 and the general rebound in the local market. Such encouraging results once again provided a solid proof of customer’s recognition of the Group’s brand and quality.

During the Quarter, the Group recorded an increase of approximately HK\$6,666,000 in gross profit. In addition to the improved turnover as mentioned above, the increased efficiency together with strict cost control have also contributed to such increase in gross profit.

The Group has incurred a profit attributable to equity holders of the Company of approximately HK\$3,457,000, compared with a loss of approximately HK\$8,973,000 in the corresponding period in last year. Such turnaround was crucial as this has proved that the Group's formulated strategy during the Quarter and during the last financial year was correct. Such strategies included the exploring of new revenue stream such as management consultant services while adopting vigorous cost control as reflected from the substantial reduction of selling and administrative expenses from approximately HK\$29,615,000 to approximately HK\$22,251,000 during the Quarter, notwithstanding the increased number of subsidiary.

## **Outlook**

### *Slimming Centres*

For Hong Kong, the Group has been aware of the market misconception that our Group provides only slimming services while in fact, the proportion of non-slimming services have accounted for increasing proportion of the Group's income. In addition to a range of comprehensive beauty and health services and the "Anti-aging program" launch in 2006, the Group has decided to launch the anaplastic injection which directly inject botox tissue filler onto skins instead of conventional surgery which will cause destructive effect on skin structure. Customers can be benefited from having the desired shapes without physical pains and without side effect. With the above-mentioned advantages, the Group is optimistic on this new type of service which in turn will strengthen the profitability of the Group.

For PRC, due to economic boom in the PRC, the citizens there are more affordable and more willing to pay for beauty and health of her own. This benefit the slimming centres in our Group, as shown by our strong performance of our PRC centres. As the Group expects the prosperity in the PRC will continue, the Group is actively seeking opportunities to open new slimming centres in major cities in the PRC in order to capture the untapped market.

### *Management Consultation Services*

Being the leading beauty and slimming services provider, Sau San Tong has accumulated a wealth of experience in the management and operation of beauty and 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 related to the setting up beauty and slimming centres. The service scope in general includes, scouting of premises, licenses application, legal and financial advises, staff training, management and operation.

The successful opening of the slimming centre in Canada in October 2006 and its satisfactory performance was a crucial indicator for the Group to further invest in this new type of business. Together with the soon opening of a spa and massage centre in Shenzhen which will be also managed by the Group, the confidence of the Group in this kind of new business has been further strengthened.

The Group firmly 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. Besides Hong Kong, the Group is planning the distribution of health and beauty products to the major cities in the PRC, with satisfactory progress. 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 harmful elements. Despite subsequent clarification, the pace of recovery of SK-II sales is not as fast as expected and the Group decided to invest further resources for marketing the SK-II brand since the Group was highly confident on the quality of SK-II brand. Looking forward, as the PRC market continues to boom showing immense potential for P&G products, together with the expected recovery of SK-II sales, the Group anticipates the revenues generated from distribution business will continue to grow and will provide the Group with a stable source of income.

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

As at 30 June 2007, 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			Approximate percentage of interest in the Company's issued share capital
	Corporate interests	Personal interests	Total	
Dr. Cheung Yuk Shan, Shirley	293,200,000 <i>(Note 1)</i>	81,070,000	374,270,000	46.79%

*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	0.63%
Mr. Cheung Ka Heng, Frankie	10 September 2004	10 September 2004 — 3 November 2013	HK\$0.512	5,000,000	0.63%

*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 30 June 2007, 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 30 June 2007, 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:

<b>Substantial shareholder</b>	<b>Capacity</b>	<b>Number of shareholding</b>		
		<b>Share</b>	<b>Percentage</b>	<b>Number of share options held</b>
Biochem	Beneficial owner	293,200,000	36.65%	—
Dr. Cheung Yuk Shan, Shirley	Beneficial owner	81,070,000	10.14%	5,000,000

Saved as disclosed above, as at 30 June 2007, 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 ended 30 June 2007.

## **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 three months ended 30 June 2007.

## **FUND RAISING ACTIVITIES**

On 11 April 2007, the Company has entered into a placing agreement with Kingston Securities Limited and a top-up subscription agreement with Biochem Investments Limited, a substantial shareholder of the Company, for the placing and subscription of 133,000,000 ordinary shares of the Company of HK\$0.01 at the price of HK\$0.16 each. Details of which was set out in the announcement dated 11 April 2007.

## **SUBSEQUENT EVENT**

On 12 July 2007, the Company has entered into a placing agreement with Orient Securities Limited and a top-up subscription agreement with Biochem Investments Limited, a substantial shareholder of the Company, for the placing and subscription of 159,980,000 ordinary shares of the Company of HK\$0.01 at the price of HK\$0.18 each respectively. Details of which was set out in the announcement dated 13 July 2007.

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

Hong Kong, 10 August 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.*

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