



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 2008**

**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.

Given the emerging nature of companies listed on GEM, there is a risk that securities trade on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2008 together with comparative figures of the corresponding period ended in 2007 as follows:

		For the three months ended 30 June	
		2008	2007
	Notes	HK\$'000	HK\$'000
Turnover	2	111,089	105,696
Cost of sales		<u>(86,148)</u>	<u>(77,848)</u>
Gross profit		24,941	27,848
Other revenue	2	3,276	2,481
Selling and distribution expenses		(16,192)	(12,826)
General and administrative expenses		<u>(10,005)</u>	<u>(9,425)</u>
Profit from operations		2,020	8,078
Finance costs		<u>(435)</u>	<u>(164)</u>
Profit before taxation		1,585	7,914
Taxation	3	<u>(231)</u>	<u>(647)</u>
Profit for the period		<u>1,354</u>	<u>7,267</u>
Attributable to:			
Equity holders of the Company		1,165	3,457
Minority interests		<u>189</u>	<u>3,810</u>
		<u>1,354</u>	<u>7,267</u>
Earnings per share	4		
Basic		<u>0.12 cents</u>	<u>0.45 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

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 2008.

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	
	2008	2007
	HK\$'000	HK\$'000
Turnover		
Provision of beauty and slimming services from slimming centers	24,440	27,343
Distribution sales of cosmetic and skin care products	86,091	78,199
Sales of other health and beauty products	558	154
	<u>111,089</u>	<u>105,696</u>
Other revenue		
Interest income	6	8
Management and consultancy fee income	2,781	1,833
Others	489	640
	<u>3,276</u>	<u>2,481</u>

3. Taxation

No Hong Kong profits tax has been provided for the three months ended 30 June 2008 as the Group did not have any assessable profit (three months ended 30 June 2007: Nil). PRC enterprise income tax has been provided at the rate of 25% (three months ended 30 June 2007: 33%) on the estimated assessable profit.

The details of the taxation charge are as follows:

	For the three months ended 30 June	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Hong Kong profits tax	—	—
PRC enterprise income tax	231	647
Deferred taxation	—	—
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	231	647
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4. Earnings per share

The calculation of basic earnings per share for the three months ended 30 June 2008 is based on the unaudited profit attributable to equity holders of the Company for the three months ended 30 June 2008 of approximately HK\$1,165,000 (three months ended 30 June 2007: profit of approximately HK\$3,457,000) and on the weighted average number of 959,880,000 shares (three months ended 30 June 2007: on the weighted average number of 766,284,615 shares).

No diluted earnings per share has been presented for the three months ended 30 June 2008 and the three months ended 30 June 2007 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 <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Share-based payment reserve <i>HK\$'000</i>	The PRC statutory surplus reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained profits/ (Accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>	Minority interest <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 April 2008	9,599	90,926	(3,637)	675	3,315	784	—	(43,521)	58,141	28,858	86,999
Profit for the period	—	—	—	—	—	—	—	1,165	1,165	189	1,354
Exchange adjustments	—	—	—	(397)	—	—	—	—	(397)	—	(397)
At 30 June 2008	<u>9,599</u>	<u>90,926</u>	<u>(3,637)</u>	<u>278</u>	<u>3,315</u>	<u>784</u>	<u>—</u>	<u>(42,356)</u>	<u>58,909</u>	<u>29,047</u>	<u>87,956</u>
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>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the three months ended 30 June 2008 (“the Quarter”), turnover amounted to approximately HK\$111,089,000, representing a 5% increase from approximately HK\$105,696,000 in the corresponding period in last year. Such increase was mainly contributed by the improved performance of our beauty, slimming and spa centres in Hong Kong and the contribution by Shanghai Dong Fang Ri Hua Sales Co. Ltd. (“Dong Fang”), a subsidiary of the Company since September 2005. Turnover from such distribution business amounted to approximately HK\$86,091,000 during the Quarter (2007: approximately HK\$78,199,000).

During the Quarter, turnover generated from all the beauty, slimming and spa centres in Hong Kong and in the People’s Republic of China (the “PRC”) amounted to approximately HK\$24,440,000 (2007: approximately HK\$27,343,000). Such decrease is due to the price war in local market as well as the global economic downturn in the past few months. Even though in such a hard time, the Group still can manage to maintain the turnover from the beauty and slimming business as compared to that in the corresponding period in last year, once again provided a solid proof of customer’s recognition of the Group’s brand and quality.

During the Quarter, the Group recorded a slight decrease of approximately HK\$2,907,000 in gross profit and has generated a profit attributable to equity holders of the Company of approximately HK\$1,165,000, compared with a profit of approximately HK\$3,457,000 in the corresponding period in last year. Such downturn is attributable to the price war as mentioned, together with the investments on the Group’s expansion in the PRC.

Outlook

Beauty, Slimming and Spa Centres

For Hong Kong, the Group providing not only slimming services but also a variety of non-slimming services. In addition to a range of comprehensive beauty and health services and the successfully launch of “Anti-aging program” in 2006, the Group introduced the “Lipolaser Slimming treatment” and “Gold Facial” medical cosmetology in late of 2007. Contributed by the advanced new technology, we can help our customers to regain their youth and slimness effectively and efficiency. In near future, the Group will bring us the “Nano Cavitation Treatment”, medical cosmetology, Chinese, Western & Thai style spa beauty treatments. With the above-mentioned advantage, 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 and the more awareness of health, the citizens there are more affordable and more willing to pay for beauty and health of her own. This benefits our beauty, slimming and spa centres, as shown by our strong performance of our PRC beauty, slimming and spa centres. As the Group expects the prosperity in the PRC will continue, the Group is actively seeking opportunities to open new beauty, slimming and spa centres in major cities in the PRC and the distribution of beauty products in order to capture the untapped market. In July 2008, 2 brand new beauty, slimming and spa centres will be opened in Beijing, the Capital of PRC.

Management Consultation Services

Being the leading beauty and slimming services provider, our Group has accumulated a wealth of experience in the management and operation of beauty, slimming and spa 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 beauty and slimming centres.

Recently, our Group partnered New World Group and Sinolink Group to develop clubhouses and spa beauty centres for luxury estates in PRC. Benefit from their years of experience in real estate market and our reputation in beauty and slimming industry, it will become a new stream of income in future.

The Group is confident 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

After the challenge of PRC authority to SK-II brand in 2006, with the Group's great effort, the sales of SK-II gradually regain. Although the contributions to turnover as well as the profit derived from Dong Fang show only a slight improvement as compared to those of last year, the pace and trend of recovery are encouraging. And, the Group firmly believed that SK-II will resume it's position in the PRC market soon. Besides of SK-II, the Group also distributes Olay, Philips and Gillette's products through its well developed distribution channel. We believe it will bring sizeable revenue for the Group in near future. 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 POSITION IN SHARES

As at 30 June 2008, 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	149,200,000 (Note 1)	100,070,000	249,270,000	25.97%

Note 1:

The 149,200,000 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	0.52%
Mr. Cheung Ka Heng, Frankie	10 September 2004	10 September 2004 — 3 November 2013	HK\$0.512	5,000,000	0.52%

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 2008, 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 to 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 2008, so far as 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:

Substantial Shareholder	Capacity	Number of shareholding		Number of share options held
		Share	Percentage	
Biochem	Beneficial owner	149,200,000	15.54%	—
Dr. Cheung Yuk Shan, Shirley	Beneficial owner	100,070,000	10.43%	5,000,000
GEM Hero Investments Limited	Beneficial owner	144,000,000	15.00%	—

Save as disclosed above, as at 30 June 2008, 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 Quarter 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.

COMPETING INTERESTS

None of the Directors or substantial 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 Quarter, 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. With Dr. Cheung being the chief executive officer, the Group can also benefit from having strong connection and network in the beauty market.

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 Ms. Hui Yat Lam. The audit committee has reviewed the unaudited financial results of the Group for the three months ended 30 June 2008.

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 three months ended 30 June 2008.

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

Hong Kong, 13 August 2008

As at the date of this announcement, the Board comprises Executive Directors namely Dr. Cheung Yuk Shan, Shirley (Chairman), Mr. Cheung Ka Heng, Frankie; Independent Non-Executive Directors namely Mr. Hong Po Kui, Martin, Mr. Li Kuo Hsing and Ms. Hui Yat Lam.

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