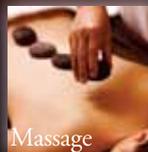




Facial



Spa



Massage



Slimming



SAU SAN TONG HOLDINGS LIMITED

修身堂控股有限公司

Stock Code 股份代號: 8200

**2009** | Interim Report  
中期業績報告

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. 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 traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on the bases and assumptions that are fair and reasonable.*

## RESULTS

The board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (the "Group") for the three months and six months ended 30 September 2009, together with the comparative figures of the corresponding period in 2008, as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Turnover	2	111,323	114,317	218,849	225,406
Cost of sales		(94,118)	(90,707)	(182,885)	(176,855)
Gross profit		17,205	23,610	35,964	48,551
Other revenue		219	109	1,083	3,385
Selling and distribution expenses		(13,364)	(14,837)	(27,513)	(31,029)
General and administrative expenses		(10,644)	(12,546)	(20,826)	(22,551)
Loss from operating activities		(6,584)	(3,664)	(11,292)	(1,644)
Finance costs		(288)	(263)	(566)	(698)
Share of profits of jointly controlled entity		327	—	741	—
Loss before taxation	3	(6,545)	(3,927)	(11,117)	(2,342)
Taxation	4	(335)	(235)	(718)	(466)
Loss for the period		(6,880)	(4,162)	(11,835)	(2,808)
Attributable to:					
Equity holders of the Company		(6,900)	(4,536)	(11,601)	(3,371)
Minority interests		20	374	(234)	563
		(6,880)	(4,162)	(11,835)	(2,808)
Loss per share	5				
Basic, HK cents		(0.50)	(0.47)	(0.99)	(0.35)
Diluted, HK cents		N/A	N/A	N/A	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) 30 September 2009 HK\$'000	(Audited) 31 March 2009 HK\$'000
	Notes		
<b>Non-current assets</b>			
Goodwill		250	250
Property, plant and equipment	6	24,699	26,529
Interests in jointly controlled entities		3,547	2,585
		<b>28,496</b>	29,364
<b>Current assets</b>			
Inventories		13,987	5,641
Trade receivables	7	35,327	34,325
Prepayments, deposits and other receivables		23,051	26,213
Amount due from related parties		25,649	21,502
Pledged bank deposit		5,678	5,678
Cash and bank balances		52,476	24,310
		<b>156,168</b>	117,669
<b>Current liabilities</b>			
Bank borrowings		22,491	22,546
Trade payables	8	20,013	14,508
Other payables and accruals		13,594	9,203
Amount due to a director		13,910	24,836
Amount due to a minority shareholder		887	887
Deferred income		18,206	15,040
Obligations under finance lease		1,207	1,141
Taxation payable		323	323
		<b>90,631</b>	88,484
<b>Net current assets</b>		<b>65,537</b>	29,185
<b>Total assets less current liabilities</b>		<b>94,033</b>	58,549
<b>Non-current liabilities</b>			
Obligations under finance lease		121	791
Deferred tax liabilities		2,772	2,772
		<b>2,893</b>	3,563
Net assets		<b>91,140</b>	54,986
<b>Capital and reserves</b>			
Share capital		57,593	9,599
Reserves		9,903	21,509
<b>Total equity attributable to equity shareholders of the Company</b>		<b>67,496</b>	31,108
<b>Minority interests</b>		<b>23,644</b>	23,878
<b>Total equity</b>		<b>91,140</b>	54,986

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2009

	Attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Exchange reserve HK\$'000	Share-based payment reserve HK\$'000	The PRC statutory surplus reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
<b>At 1 April 2009</b>	9,599	90,926	(3,637)	4,293	3,315	784	(74,172)	31,108	23,878	54,986
Open offer of new shares	47,994	—	—	—	—	—	—	47,994	—	47,994
Share issuance costs	—	—	—	—	—	—	—	—	—	—
Loss for the period	—	—	—	—	—	—	(11,601)	(11,601)	(234)	(11,835)
Exchange adjustments	—	—	—	(5)	—	—	—	(5)	—	(5)
Equity contribution by minority shareholders	—	—	—	—	—	—	—	—	—	—
<b>At 30 September 2009</b>	57,593	90,926	(3,637)	4,288	3,315	784	(85,773)	67,496	23,644	91,140
At 1 April 2008	9,599	90,926	(3,637)	675	3,315	784	(43,521)	58,141	28,858	86,999
Open offer of new shares	—	—	—	—	—	—	—	—	—	—
Share issuance costs	—	—	—	—	—	—	—	—	—	—
Loss for the period	—	—	—	—	—	—	(3,371)	(3,371)	563	(2,808)
Exchange adjustments	—	—	—	(458)	—	—	—	(458)	—	(458)
Equity contribution by minority shareholders	—	—	—	—	—	—	—	—	—	—
At 30 September 2008	9,599	90,926	(3,637)	217	3,315	784	(46,892)	54,312	29,421	83,733

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	For the six months ended 30 September	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Net cash used in operating activities	<b>(16,422)</b>	(11,308)
Net cash used in investing activities	<b>(2,750)</b>	(6,633)
Net cash generated from/(used in) financing activities	<b>47,335</b>	(255)
Net increase/(decrease) in cash and cash equivalents	<b>28,163</b>	(18,196)
Net cash and cash equivalents as at 1 April	<b>24,310</b>	44,954
Effect of foreign exchange rate changes, net	<b>3</b>	(499)
Cash and cash equivalents as at 30 September	<b>52,476</b>	26,259
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<b>52,476</b>	26,259

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 2009.

**2. Turnover and segment information**

Turnover represents the invoiced value of goods supplied to customers, net of discounts, returns, value-added tax and other sales tax; and service income from provision of beauty and slimming services, net of discounts. The Group is principally engaged in three business segments, including the provision of beauty and slimming services from slimming centres, distribution sales of cosmetic and skin care products and sales of other health and beauty products.

An analysis of the Group's turnover and operating results for the six months ended 30 September 2009 by business segments is as follows:

	For the six months ended 30 September 2009				Group HK\$'000
	Distribution sales HK\$'000	Provision of beauty and slimming services HK\$'000	Sales of other health and beauty products HK\$'000	Inter- segment elimination HK\$'000	
Turnover					
External sales	188,378	29,789	682	—	218,849
Inter-segment sales	—	—	—	—	—
	<b>188,378</b>	<b>29,789</b>	<b>682</b>	<b>—</b>	<b>218,849</b>
Segment profit/(loss)	<b>2,343</b>	<b>(10,838)</b>	<b>(511)</b>		<b>(9,006)</b>
Unallocated costs					<b>(3,369)</b>
Other revenue					<b>1,083</b>
Loss from operations					<b>(11,292)</b>
Finance costs					<b>(566)</b>
Share of profits of jointly controlled entity					<b>741</b>
Loss before taxation					<b>(11,117)</b>
Taxation					<b>(718)</b>
Loss for the period					<b>(11,835)</b>

	For the six months ended 30 September 2008				Group HK\$'000
	Distribution sales HK\$'000	Provision of beauty and slimming service HK\$'000	Sales of other health and beauty products HK\$'000	Inter- segment elimination HK\$'000	
Turnover					
External sales	178,782	45,609	1,015	—	225,406
Inter-segment sales	—	—	—	—	—
	<b>178,782</b>	<b>45,609</b>	<b>1,015</b>	<b>—</b>	<b>225,406</b>
Segment profit/(loss)	<b>1,983</b>	<b>(1,295)</b>	<b>(1,025)</b>		<b>(337)</b>
Unallocated costs					<b>(4,692)</b>
Other revenue					<b>3,385</b>
Loss from operations					<b>(1,644)</b>
Finance costs					<b>(698)</b>
Loss before taxation					<b>(2,342)</b>
Taxation					<b>(466)</b>
Loss for the period					<b>(2,808)</b>

### 3. Loss before taxation

Loss before taxation is stated after crediting and charging the followings:

	For the six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
<b>Crediting</b>		
Interest income	12	12
Management and consultancy fee incomes	—	—
<b>Charging</b>		
Depreciation		
— Owned assets	3,953	5,600
— Leased assets	306	164
Operating lease rentals		
— Land and buildings	9,136	8,757
Interest on bank borrowings	655	682
Finance charges on obligation under finance leases	30	16

### 4. Taxation

No Hong Kong profits tax has been provided for the three months and six months ended 30 September 2009 as the Group did not have any assessable profit (three months and six months ended 30 September 2008: Nil). PRC enterprise income tax has been provided at the rate of 25% (three months and six months ended 30 September 2008: 25%) on the estimated assessable profit.

The details of the taxation charge are as follows:

	For the six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
Hong Kong profits tax	—	—
PRC enterprise income tax	718	466
	<b>718</b>	<b>466</b>

## 5. Loss per share

The calculation of basic loss per share for the three months and the six months ended 30 September 2009 are based on the unaudited loss attributable to equity holders of the Company of approximately HK\$6,900,000 and HK\$11,601,000 respectively (2008: loss of approximately HK\$4,536,000 and HK\$3,371,000 respectively) and on the weighted average number of approximately 1,377,219,000 shares and approximately 1,169,690,000 shares in issue during the respective periods (2008: 959,880,000 shares in issue during the periods).

No diluted loss per share for the three months and six months ended 30 September 2009 and the corresponding period in 2008 have been presented because the exercise of the outstanding share option of the Company would result in reducing loss per share.

## 6. Property, plant and equipment

	<b>(Unaudited)</b> <b>30 September</b> <b>2009</b> <i>HK\$'000</i>	(Unaudited) 30 September 2008 <i>HK\$'000</i>
Opening net book amount	<b>26,529</b>	22,737
Exchange adjustments	<b>(8)</b>	41
Additions	<b>2,762</b>	6,645
Disposals	<b>(325)</b>	408
Depreciation	<b>(4,259)</b>	(5,764)
Closing net book amount	<b>24,699</b>	24,067

## 7. Trade receivables

The aging analysis of trade receivables, based on invoice date, is as follows:

	<b>(Unaudited)</b> <b>30 September</b> <b>2009</b> <i>HK\$'000</i>	(Audited) 31 March 2009 <i>HK\$'000</i>
0 to 30 days	<b>27,863</b>	33,481
31 to 60 days	<b>5,944</b>	67
61 to 120 days	<b>1,761</b>	75
Over 120 days	<b>452</b>	1,395
Less: Provision for doubtful debts	<b>(693)</b>	(693)
	<b>35,327</b>	34,325

## 8. Trade payables

The aging analysis of trade payables, based on invoice date, is as follows:

	<b>(Unaudited)</b> <b>30 September</b> <b>2009</b> <b>HK\$'000</b>	(Audited) 31 March 2009 HK\$'000
0 to 30 days	<b>19,647</b>	14,416
31 to 90 days	<b>251</b>	84
91 to 365 days	<b>115</b>	8
	<b>20,013</b>	14,508

## 9. Related party transactions

No interest was paid for the amount due to Dr. Cheung Yuk Shan, Shirley, a director of the Company, for the six months ended 30 September 2009 (2008: Nil).

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2009 (2008: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the six months ended 30 September 2009 ("the Period Under Review"), turnover amounted to approximately HK\$218,849,000, representing a slightly decrease of 2.9% from approximately HK\$225,406,000 in the corresponding period in last year. Such decrease was mainly due to the drop of sales of our beauty, slimming and spa centres in both Hong Kong and the People's Republic of China (the "PRC") under the extreme business environment. However, due to the contribution from distribution sales by Shanghai Dong Fang Ri Hua Sales Co. Ltd. ("Dong Fang") has a satisfactory growth, the adverse impacts to the Group's turnover has been significantly compensated. During the Period Under Review, turnover from such distribution business amounted to approximately HK\$188,378,000 (2008: approximately HK\$178,782,000).

During the Period Under Review, the price war in local market as well as the adverse impacts of extreme business environment affect the retail and services industry, including the slimming and beauty industry. For the six months ended 30 September 2009, turnover generated from all the beauty, slimming and spa centres in Hong Kong and in the PRC amounted to approximately HK\$29,789,000 (2008: approximately HK\$45,609,000).

During the Period Under Review, the Group recorded a decrease of approximately HK\$12,587,000 in gross profit and has generated a loss attributable to equity holders of the Company of approximately HK\$11,601,000, (2008: approximately HK\$3,371,000). Such downturn is attributable to the price war and the adverse impact of extreme business environment 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 "Lipolaser Slimming treatment" and "Gold Facial" in the past, the Group foresee the mainstream trend of cosmetological technology as the way in beauty and skincare, we will continuously seek for and draw the newest and most innovative way of cosmetology treatment. The Group has launched a most innovative technological cosmetic treatment, the Cell Regeneration Program. It uses the PhytoCellTec™ technology to abstract the precious Phyto Stem cells from a rare species of plants from high altitude, revise your skin age for a youthful visage. Moreover, we have also launched the "M.Nano Cavitation slimming treatment", "Placenta Cell renewal facial treatment" and "HA+ Hyaluronic Moisture treatment", and which are highly appreciated by our customers. 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.

### ***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***

Apart from provision of slimming and beauty services, another major line of business is product distribution. We distribute mainly P&G personal care, cosmetic and skin care products, such as SK-II, Olay, etc. and also Gillette Men series and Philips Lighting products. With the Group's great effort, the sales of SK-II and Olay are very encouraging. Besides, we also distribute certain world famous brands of prestige fragrances, such as, Dunhill, BOSS, Gucci, ESCADA, etc. We believe that with the increasing variety of products, it will bring sizeable revenue for the Group in near future. Looking forward, as the PRC market continues to boom showing immense potential for high-end 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.

## CAPITAL RESOURCES AND LIQUIDITY

Cash and bank balances as at 30 September 2009 were approximately HK\$58,154,000, compared to approximately HK\$29,988,000 as at 31 March 2009. The increase in cash and bank balances were mostly due to the completion of open offer in September 2009, which raised approximately HK\$48 million for the Company. As at 30 September 2009, the Group's liability was approximately HK\$93,524,000, compared to approximately HK\$92,047,000 as at 31 March 2009. It includes account payables and other payables approximately HK\$33,607,000 (31 March 2009: HK\$23,711,000), mainly for daily operations of our subsidiary — Dong Fang, deferred income approximately HK\$18,206,000 (31 March 2009: HK\$15,040,000) and bank borrowings approximately HK\$22,491,000 (31 March 2009: HK\$22,546,000), bank borrowings is also for Dong Fang trading activities. The Group's gearing ratio was 26.13%, based on the total of bank borrowings and obligations under finance lease over the net assets of the Group. Liabilities will be generally financed by internal resources of the Group and the proceeds from the open offer. The liquidity ratio of the Group represented by a ratio of current assets over current liabilities was 1.72:1 (31 March 2009: 1.33:1), reflecting the adequacy of financial resources. The Group's bank balance are mainly denominated in Hong Kong Dollars and Renminbi while the bank borrowings are denominated in Renminbi and the Group has no significant exposure to foreign exchange fluctuations.

On 23 September 2009, the Company issued 4,799,400,000 offer shares at the subscription price of HK\$0.01 per offer share, by way of an open offer on the basis of five offer shares for every one share held on the record date. The Board intended to apply the net proceeds of approximately HK\$46 million (net of expenses of approximately HK\$2 million) for repayment of debts and as general working capital of the Group and for financing its operations and activities for expanding its existing beauty, slimming and spa businesses and developing the growing beauty product distributions business in order to improve the financial position of the Group and to enrich and diversify its business, bringing better returns to the Shareholders. Besides that there has been no significant change in the capital structure of the Company during the Period.

## INCREASE IN AUTHORISED SHARE CAPITAL

Pursuant to the ordinary resolution passed at the extraordinary general meeting held on 31 August 2009, the authorised share capital of the Company was increased from HK\$15,000,000, divided into 1,500,000,000 shares of HK\$0.01 each, to HK\$100,000,000, divided into 10,000,000,000 shares of HK\$0.01 each, by the creation of 8,500,000,000 new shares.

## 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 about 90 days.

## NET ASSETS

As at 30 September 2009, the Group's net assets amounted to approximately HK\$91,140,000 compared to approximately HK\$54,986,000 as at 31 March 2009. There are no charges on the Group's assets as at 30 September 2009.

## CONTINGENT LIABILITIES

As at 30 September 2009, the Company has issued a corporate guarantee amounting to RMB15,000,000 (equivalent to approximately HK\$17,033,000) to a bank in respect of banking facilities granted to Dong Fang, a subsidiary as 51% owned by the Group (31 March 2009: RMB15,000,000 (equivalent to approximately HK\$17,033,000)); In March 2009, a customer instigated a legal proceedings against a subsidiary, as 51% owned by the Group, for a non-performance of a sale contract by that subsidiary and claimed for the recovery of full payment of the goods plus interest payment and the associated legal costs incurred by the customer totaling RMB1,090,000 (equivalent to approximately HK\$1,238,000) (31 March 2009: RMB1,090,000 (equivalent to approximately HK\$1,238,000)).

## EMPLOYEE INFORMATION

As at 30 September 2009, the Group had around 472 employees (2008: around 482 employees). During the Period Under Review, the Group's total staff costs amounted to approximately HK\$17,557,000 (2008: approximately HK\$18,728,000). The decreases in number of employees as well as the total staff costs reflecting the strict control implemented by the Group during the Period Under Review.

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 Mandatory 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 and there is an aggregate of 99,583,113 outstanding options as at 30 September 2009.

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

As at 30 September 2009, 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	895,200,000 (Note 1)	600,420,000	1,495,620,000	25.97%

*Note 1:* The 895,200,000 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 (Note 2)	Aggregate Long position in underlying Shares of the Company (Note 2)	Approximate percentage interest in the Company's issued share capital
Dr. Cheung Yuk Shan, Shirley	10 September 2004	10 September 2004 — 3 November 2013	HK\$0.1218	21,017,964	0.36%
Mr. Cheung Ka Heng, Frankie	10 September 2004	10 September 2004 — 3 November 2013	HK\$0.1218	21,017,964	0.36%

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

*Note 2:* As a result of the completion of open offer of the Company on 25 September 2009, the number of share options and the subscription prices have been adjusted in accordance with the requirements of Rule 23.03(13) of the GEM Listing Rules and the supplementary guidance issued by The Stock Exchange of Hong Kong Limited on 5 September 2005.

Save as disclosed above, as at 30 September 2009, 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.

## SHARE OPTION SCHEME

Details of the movements of the share options pursuant to the share option scheme of the Company are summarized as follows:

	Date of grant	Exercisable period	Subscription price per share HK\$ (Note)	At 1 April 2009	Cancelled/ lapsed during the period	Adjustments (Note)	At 30 September 2009
Directors	10 September 2004	10 September 2004 — 3 November 2013	0.1218	10,000,000	—	32,035,928	42,035,928
Employees	2 September 2004	2 September 2004 — 1 September 2009	0.489 (unadjusted)	1,000,000	(1,000,000)	—	—
	20 May 2005	20 May 2005 — 19 May 2010	0.1270	800,000	—	2,562,874	3,362,874
	6 September 2005	6 September 2005 — 5 September 2010	0.1159	12,890,000	—	41,294,311	54,184,311
				<u>24,690,000</u>			<u>99,583,113</u>
Weighted average exercise price				<u>HK\$0.499</u>			<u>HK\$0.119</u>
Weighted average of remaining contractual life				<u>2.66 years</u>			<u>2.26 years</u>

**Note:** As a result of the completion of open offer of the Company on 25 September 2009, the number of share options and the subscription prices have been adjusted in accordance with the requirements of Rule 23.03(13) of the GEM Listing Rules and the supplementary guidance issued by The Stock Exchange of Hong Kong Limited on 5 September 2005.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2009, 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

Substantial shareholder	Capacity	Number of shareholding		Number of share options held
		Share	Percentage	
Biochem	Beneficial owner	895,200,000	15.54%	—
Dr. Cheung Yuk Shan, Shirley	Beneficial owner	600,420,000	10.43%	21,017,964
GEM Hero Investments Limited	Beneficial owner	864,000,000	15.00%	—

Save as disclosed above, as at 30 September 2009, 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 Period under Review 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 and six months ended 30 September 2009.

## **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 six months ended 30 September 2009.

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

Hong Kong, 13 November 2009

*As at the date of this report, 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.*

SAU SAN TONG HOLDINGS LIMITED  
修身堂控股有限公司

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