



**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)**

**RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 MARCH 2010**

**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 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.*

*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 and on the Company’s website at [www.sausantong.com](http://www.sausantong.com).*

\* for identification purpose only

The Board of Directors (the “Board”) of Sau San Tong Holdings Limited (the “Company”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2010, together with the comparative audited figures for the year ended 31 March 2009, as follows:

## CONSOLIDATED INCOME STATEMENT

*For the year ended 31 March 2010*

	<i>Note</i>	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
<b>Turnover</b>	2	<b>470,725</b>	437,916
Cost of sales		<u>(389,006)</u>	<u>(359,450)</u>
<b>Gross profit</b>		<b>81,719</b>	78,466
Other revenue	3	<b>2,254</b>	1,418
Other net loss	3	<b>(83)</b>	(181)
Selling and distribution costs		<b>(61,211)</b>	(63,081)
General and administrative expenses		<u>(50,957)</u>	<u>(45,186)</u>
<b>Loss from operations</b>		<b>(28,278)</b>	(28,564)
Finance costs	4	<b>(1,248)</b>	(1,579)
Share of profits/(losses) of jointly controlled entities		<u>2,858</u>	<u>(3,277)</u>
<b>Loss before taxation</b>	4	<b>(26,668)</b>	(33,420)
Income tax expense	5	<u>(2,154)</u>	<u>(1,039)</u>
<b>Loss for the year</b>		<b><u>(28,822)</u></b>	<b><u>(34,459)</u></b>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(24,957)</b>	(30,651)
Minority interests		<u>(3,865)</u>	<u>(3,808)</u>
<b>Loss for the year</b>		<b><u>(28,822)</u></b>	<b><u>(34,459)</u></b>
Dividend	6	<u>—</u>	<u>—</u>
<b>Loss per share</b>	7		
Basic and diluted, HK cents		<b><u>(10.05)</u></b>	<b><u>(15.19)</u></b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>Loss for the year</b>	<u>(28,822)</u>	<u>(34,459)</u>
<b>Other comprehensive income for the year:</b>		
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	<u>—</u>	<u>2,446</u>
<b>Total comprehensive loss for the year</b>	<u>(28,822)</u>	<u>(32,013)</u>
<b>Attributable to:</b>		
Equity shareholders of the Company	(24,957)	(27,033)
Minority interests	<u>(3,865)</u>	<u>(4,980)</u>
<b>Total comprehensive loss for the year</b>	<u><u>(28,822)</u></u>	<u><u>(32,013)</u></u>

**CONSOLIDATED BALANCE SHEET***At 31 March 2010*

	<i>Note</i>	<b>2010</b> <b>HK\$'000</b>	2009 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>21,177</b>	26,529
Goodwill		<b>250</b>	250
Interests in jointly controlled entities		<b>2,702</b>	2,585
		<b>24,129</b>	29,364
<b>Current assets</b>			
Inventories		<b>7,308</b>	5,641
Trade receivables	9	<b>43,187</b>	34,325
Prepayments, deposits and other receivables		<b>20,697</b>	26,213
Amounts due from related parties		<b>16,478</b>	21,502
Cash and cash equivalents		<b>39,553</b>	29,988
		<b>127,223</b>	117,669
<b>Current liabilities</b>			
Bank loans, secured		<b>13,626</b>	22,546
Trade payables	10	<b>19,191</b>	14,508
Other payables and accrued charges		<b>10,059</b>	9,203
Amount due to a director		<b>14,306</b>	24,836
Amount due to a related party		<b>887</b>	887
Deferred income		<b>12,941</b>	15,040
Obligations under finance leases		<b>791</b>	1,141
Current taxation		<b>393</b>	323
		<b>72,194</b>	88,484
<b>Net current assets</b>		<b>55,029</b>	29,185
<b>Total assets less current liabilities</b>		<b>79,158</b>	58,549
<b>Non-current liabilities</b>			
Obligations under finance leases		—	791
Deferred tax liabilities		<b>3,380</b>	2,772
		<b>3,380</b>	3,563
<b>NET ASSETS</b>		<b>75,778</b>	54,986
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>59,513</b>	9,599
Reserves		<b>(3,748)</b>	21,509
Total equity attributable to equity shareholders of the Company		<b>55,765</b>	31,108
Minority interests		<b>20,013</b>	23,878
<b>TOTAL EQUITY</b>		<b>75,778</b>	54,986

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Merger reserve	Exchange reserve	Share-based payment reserve	The PRC statutory surplus reserve	Acc-umulated 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
<b>At 1 April 2008</b>	9,599	90,926	(3,637)	675	3,315	784	(43,521)	58,141	28,858	86,999
<b>Changes in equity for 2009:</b>										
Total comprehensive loss for the year	—	—	—	3,618	—	—	(30,651)	(27,033)	(4,980)	(32,013)
<b>At 31 March 2009</b>	9,599	90,926	(3,637)	4,293	3,315	784	(74,172)	31,108	23,878	54,986
<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
<b>Changes in equity for 2010:</b>										
Issue of shares	49,914	1,920	—	—	—	—	—	51,834	—	51,834
Share issue expenses	—	(2,220)	—	—	—	—	—	(2,220)	—	(2,220)
Cancellation of share options	—	—	—	—	(142)	—	142	—	—	—
Total comprehensive loss for the year	—	—	—	—	—	—	(24,957)	(24,957)	(3,865)	(28,822)
<b>At 31 March 2010</b>	59,513	90,626	(3,637)	4,293	3,173	784	(98,987)	55,765	20,013	75,778

Notes:

## 1. Basis of preparation

The consolidated financial statements for year ended 31 March 2010 comprise the Company and its subsidiaries (together referred to as “the Group”) and the Group’s interests in jointly controlled entities.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The Hong Kong Institute of Certified Public Accountants has issued one new Hong Kong Financial Reporting Standard (“HKFRS”), a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Except for the HKAS 1 (revised 2007) as described below, the adoption of these new and revised HKFRSs have no significant impact on the Group’s financial statements.

As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 2. Turnover

Turnover represents the invoiced value of goods supplied to customers, net of discounts, returns, value-added tax or other sales tax; and service income from provision of beauty and slimming services, net of discounts. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	<b>2010</b>	2009
	<b>HK\$’000</b>	HK\$’000
Distribution sale of cosmetic and skin care products	<b>403,222</b>	364,985
Provision of beauty and slimming services	<b>66,349</b>	70,290
Sale of other health and beauty products	<b>1,154</b>	2,641
	<b>470,725</b>	437,916

Segment information are set out in note 8 to this results announcement.

### 3. Other revenue

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Management and consultancy fee income	1,276	1,053
Interest income	194	141
Others	784	224
	<u>2,254</u>	<u>1,418</u>

### Other net loss

Subsidy income from the PRC government	908	1,094
Compensation received from landlord on early termination of an operating lease of property	2,494	—
Reversal of impairment loss on trade receivables	233	185
Net foreign exchange loss	(1,804)	(1,573)
Net loss on disposal of property, plant and equipment	(1,665)	(124)
Others	(249)	237
	<u>(83)</u>	<u>(181)</u>

### 4. Loss before taxation

Loss before taxation is arrived after charging:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
(a) Finance costs:		
Interest on bank loans	1,181	1,549
Finance charges on obligations under finance leases	67	30
	<u>1,248</u>	<u>1,579</u>
(b) Other items:		
Staff costs	47,123	44,844
Cost of inventories sold and services provided*	389,006	359,450
Auditors' remuneration	902	747
Depreciation on property, plant and equipment	10,836	10,578
Provision for impairment losses		
— trade receivables	—	552
— other receivables	4,309	3,582
— deposits paid	994	—
— amounts due from related parties	4,083	—
Write-off of other receivables	1,013	2,002
Operating lease rentals: minimum lease payments		
— property and display locations rentals	20,556	18,987
— other equipment	78	175
	<u>78</u>	<u>175</u>

\* Cost of inventories and services provided includes HK\$2,218,000 (2009: HK\$2,243,000) relating to staff costs and depreciation, which amount is also included in the respective total amount disclosed separately above for each of these types of expenses.

## 5. Income tax expense

Taxation in the consolidated income statement represents:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>Current tax — PRC Enterprise Income Tax</b>		
Provision for the year	1,480	1,329
Underprovision in respect of prior years	<u>66</u>	<u>53</u>
	<u>1,546</u>	<u>1,382</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>608</u>	<u>(343)</u>
Income tax expense	<u><u>2,154</u></u>	<u><u>1,039</u></u>

No provision for Hong Kong Profits Tax is made for 2010 (2009: HK\$Nil) as the Company and its subsidiaries sustained tax losses or have no assessable profits for Hong Kong Profits Tax purposes. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rate of taxation ruling in the relevant tax jurisdictions.

## 6. Dividend

The Directors do not recommend the payment of a dividend for the year ended 31 March 2010 (2009: HK\$Nil).

## 7. Loss per share

The calculation of basic loss per share for the year ended 31 March 2010 is based on the loss attributable to equity holders of the Company of approximately HK\$24,957,000 (2009: HK\$30,651,000) and the weighted average number of ordinary shares in issue of approximately 248,363,000 (2009: 201,747,000).

The weighted average number of shares for the purposes of calculating basic loss per share has been retrospectively adjusted for both years for the open offer on 23 September 2009 and the twenty-to-one share consolidation which took place on 12 February 2010.

No diluted loss per share has been presented for the year ended 31 March 2010 and 2009 since the effect of the outstanding share options as at 31 March 2010 and 2009 is anti-dilutive.



## 8. Segment information

### (a) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's Executive Directors for the purposes of resource allocation and assessment of segment performance for the year is set out below.

	Distribution sale		Provision of beauty and slimming services		Sale of other health and beauty products		Total	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Reportable segment revenue from external customers	<b>403,222</b>	364,985	<b>66,349</b>	70,290	<b>1,154</b>	2,641	<b>470,725</b>	437,916
Reportable segment results	<b>6,419</b>	1,919	<b>(24,739)</b>	(23,344)	<b>(1,436)</b>	(287)	<b>(19,756)</b>	(21,712)
Unallocated corporate expenses							<b>(9,890)</b>	(9,955)
Unallocated corporate other revenue							<b>1,368</b>	3,103
Loss from operations							<b>(28,278)</b>	(28,564)
Finance costs							<b>(1,248)</b>	(1,579)
Share of profits/(losses) of jointly controlled entities							<b>2,858</b>	(3,277)
Loss before taxation							<b>(26,668)</b>	(33,420)
Taxation							<b>(2,154)</b>	(1,039)
Loss after taxation							<b>(28,822)</b>	(34,459)
Provision for impairment losses								
— Trade receivables	—	552	—	—	—	—	—	552
— Amounts due from related parties	—	—	<b>4,083</b>	—	—	—	<b>4,083</b>	—
— Deposits paid	—	—	—	—	<b>636</b>	—	<b>636</b>	—
Reversal of impairment loss on trade receivables	<b>(233)</b>	—	—	—	—	—	<b>(233)</b>	—
Write-off of other receivables	—	—	<b>221</b>	2,002	—	—	<b>221</b>	2,002
Depreciation	<b>1,893</b>	1,271	<b>8,926</b>	9,294	<b>17</b>	13	<b>10,836</b>	10,578
Segment assets								
— Property, plant and equipment	<b>4,867</b>	3,443	<b>15,764</b>	19,654	<b>67</b>	30	<b>20,698</b>	23,127
— Interests in jointly controlled entities	—	—	<b>2,702</b>	2,585	—	—	<b>2,702</b>	2,585
— Other assets	<b>74,880</b>	73,983	<b>26,971</b>	27,926	<b>3,441</b>	4,185	<b>105,292</b>	106,094
Unallocated corporate assets							<b>22,660</b>	15,227
Total assets							<b>151,352</b>	147,033
Segment liabilities	<b>(34,172)</b>	(36,483)	<b>(23,787)</b>	(27,114)	<b>(590)</b>	(551)	<b>(58,549)</b>	(64,148)
Unallocated corporate liabilities							<b>(17,025)</b>	(27,899)
Total liabilities							<b>(75,574)</b>	(92,047)
Additions to segment non-current assets	<b>3,655</b>	1,819	<b>3,496</b>	12,956	<b>53</b>	17	<b>7,204</b>	14,792

(b) *Geographical information*

The Group's revenue from external customers and information about its non-current assets by geographical locations of the assets are as follows:

	The PRC		Hong Kong		Total	
	2010	2009	2010	2009	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	<u>432,772</u>	<u>391,918</u>	<u>37,953</u>	<u>45,998</u>	<u>470,725</u>	<u>437,916</u>
Non-current assets	<u>18,127</u>	<u>17,643</u>	<u>6,002</u>	<u>11,721</u>	<u>24,129</u>	<u>29,364</u>

(c) *Major customers*

No customer accounted for 10% or more of the total revenue for the years ended 31 March 2010 and 2009.

9. Trade receivables

	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	43,647	35,018
Less: allowance for doubtful debts	<u>(460)</u>	<u>(693)</u>
	<u>43,187</u>	<u>34,325</u>

The following is an ageing analysis of trade receivables (net of allowance for doubtful debts):

	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	<u>39,736</u>	<u>31,976</u>
Less than 1 month past due	3,320	1,505
1 to 2 months past due	6	67
More than 2 months but less than 4 months past due	—	75
More than 4 months but less than 12 months past due	125	379
More than 12 months past due	<u>—</u>	<u>323</u>
Amounts past due	<u>3,451</u>	<u>2,349</u>
	<u>43,187</u>	<u>34,325</u>

Management has a credit policy in place and the exposure to the credit risk is monitored on an ongoing basis. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

## 10. Trade payables

Included in trade payables are trade creditors with the following ageing analysis as of the balance sheet date:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Due within 1 month or on demand	19,191	14,416
Due after 1 month but within 3 months	—	84
Due after 3 months but within 12 months	—	8
	<u>19,191</u>	<u>14,508</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the year ended 31 March 2010 (“the Year Under Review”), turnover amounted to approximately HK\$470,725,000, representing an increase of 7% from approximately HK\$437,916,000 in last year. Such increase was mainly due to the remarkable growth in the distribution sales of our Shanghai Dong Fang Ri Hua Sales Co. Ltd. (“Dong Fang”). On the other hand, even though the rivalry in the slimming and beauty industry is so intense, the Group still can manage to sustain the revenue performance of all the slimming centres in both Hong Kong and in the People’s Republic of China (the “PRC”) during the Year Under Review. During the Year Under Review, turnover from the distribution business amounted to approximately HK\$403,222,000 (2009: approximately HK\$364,985,000), while the turnover generated from all the beauty, slimming and spa centres in Hong Kong and in the PRC amounted to approximately HK\$66,349,000 (2009: approximately HK\$70,290,000).

During the Year Under Review, the Group recorded an increase of approximately HK\$3,253,000 in gross profit. The Group has incurred a loss attributable to equity holders of the Company of approximately HK\$24,957,000 (2009: approximately HK\$30,651,000). As mentioned before, the competition and the business environment of the slimming and beauty market is drastic and extreme, in order to maintain our competitive edge, the Group strengthened its existing policy of exercising tight control over all its costs, and reducing these wherever possible. During the Year Under Review, the administrative expenses (including provision for impairment losses) totalling amount to HK\$50,957,000. Apart from the above provision, the administrative expenses have been slightly increased from approximately HK\$41,052,000 of 2009 to approximately HK\$41,571,000. Notwithstanding of the significant increase in turnover, the administrative expenses are comparable to that of last year.

During the Year Under Review, our jointly controlled entities mark a vast turnaround in performance. The share of profits of the jointly controlled entities is HK\$2,858,000 approximately in contrast to the share of losses of HK\$3,277,000 approximately in the year 2009.

By refreshing change and diversification of business, Sau San Tong is continued to be the leader of the industry providing the most quality and professional services to its customers.

### ***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 “M.Nano Cavitation slimming treatment” and “HA+ Hyaluronic Moisture treatment” as well as certain other innovative treatments in last year, the Group continues to explore the new cosmetological technology. This year, the Group has launched a series of innovative technological cosmetic treatments, including “Lipo Fat Diminishing Treatment”, “ThermaLift Ultra-Firm Treatment” and “PRP Plasmatic Derma-Revive Treatment”, etc. “Lipo Fat Diminishing Treatment” using the hi-tech PPC fat-removal essence and the technique of LipoFit™ Cavitation to create an unique low frequency and stable cavitation force to dissolve fat painlessly, thoroughly and instantly. The Group believes that with these new treatments, the profitability as well as the market leadership can be strengthened.

China’s vast slimming and beauty market is growing fast. The female population aged between 15 and 64 in China currently exceeds 470 million, which is larger than the combined total of Europe, the US and Japan. As income levels continue to rise, mainland female consumers’ demands for high-end slimming and beauty services is bound to increase further. Besides, government supervision of the beauty sector is expected to tighten, further squeezing the low-end operators out of the market. The Group entered into PRC market long time ago, we built up our prestige brand, opened deluxe beauty, slimming and spa centres in major cities and developed the strong distribution sales network. All these moves proven our long-term vision and strategy are on the right track. The Group keeps on seeking opportunities to open new beauty, slimming and spa centres in potential cities in the PRC and the distribution of beauty products in order to capture the untapped market.

In late 2008, the Group introduced the innovative idea of “One-stop” Online Booking to all our customers around the World. Customers can select the date, time, location and treatment all on their own needs and even to pay via our online payment system. The newly launched service can fulfill the customer’s reluctance to exhausting hard-selling strategy and prepayment practice, and we firmly believe this will bring the beauty and slimming industry to new era. In the near future, we will further enhance the online shopping platform to our wide range of health and beauty products to bring more convenience and healthy e-lifestyle to our valuable customers.

### ***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, slimming and spa centres.

In year 2008, our Group successful developed new income stream by partnered New World Group and Sinolink Group to develop clubhouses and spa beauty centres for luxury estates in PRC. Benefit from this experience, we are now confident in exploring further opportunities from such 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. Moving onwards, the Group is planning to distribute the 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 during the Year Under Review. Start from last year, 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.

## **Outlook**

We expect the impacts of the Eurocrisis and Credit squeeze will stick around for a while. Such impact to us is immaterial because our Group is financially strong and we have no investments in derivatives, bonds or structured financial products. During the year, tightly banking credit policy together with intense competition induce the closing down of some second tier beauty and slimming services providers. Facing with this extreme business environment, we are now actively developing new ideas and exploring new business opportunities, and we are highly confident to ride through it.

## **Capital Structure, Liquidity and Financial Resources**

Cash and bank balances as at 31 March 2010 were approximately HK\$39,553,000 compared to approximately HK\$29,988,000 as at 31 March 2009. The Group's gearing ratio of 19% (2009: 45%) was based on the total of bank borrowings and obligations under finance leases of approximately HK\$14,417,000 and the net assets of the Group of approximately HK\$75,778,000. As at 31 March 2010, the Group's liability was approximately HK\$75,574,000, compared to approximately HK\$92,047,000 as at 31 March 2009. It includes account payables and other payables approximately HK\$29,250,000 (2009: approximately HK\$23,711,000), mainly for the daily operations of our subsidiary — Dong Fang, deferred income approximately HK\$12,941,000 (2009: approximately HK\$15,040,000) and bank borrowings approximately HK\$13,626,000 (2009: approximately HK\$22,546,000), bank borrowings is also for Dong Fang trading activities. Such liability is intended to be financed by internal resources of the Group. The liquidity ratio of the Group represented by a ratio of current assets over current liabilities was 1.76:1 (2009: 1.33:1), reflecting the adequacy of financial resources.

On 23 September 2009, the Company completed an open offer with an assured allotment of five offer shares at HK\$0.01 per share for every one existing share held on the record date. The Company issued 4,799,400,000 offer shares of HK\$0.01 each under the open offer raising net proceeds of approximately HK\$46 million (net of expenses of approximately HK\$2 million). The net proceeds will be used for repayment of debts and as general working capital of the Group and for financing its operations and activities for expanding its existing 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.

On 13 January 2010, the Group successfully further raised funds from the Subscription in the amount of approximately HK\$3.8 million before expenses. Funds raised from the Subscription will be used as general working capital.

### **Increase in Authorised Share Capital and Share Consolidation**

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

By an ordinary resolution passed at the extraordinary general meeting on 11 February 2010, every twenty then issued and unissued ordinary shares of HK\$0.01 each were consolidated into one new ordinary share of HK\$0.20 each. Following the share consolidation which became effective on 12 February 2010, the Company's authorised share capital is HK\$100,000,000 divided into 500,000,000 ordinary shares of HK\$0.20 each, of which 297,562,500 ordinary shares were in issue and fully paid.

### **Treasury Policy**

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

### **Foreign Exchange Exposure**

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

### **Net Assets**

As at 31 March 2010, the Group's net assets amounted to approximately HK\$75,778,000 compared to approximately HK\$54,986,000 as at 31 March 2009. There are no charges on the Group's assets as at 31 March 2010.

## **Contingent Liabilities**

As at 31 March 2010, the Company has issued a corporate guarantee amounting to RMB15,000,000 (equivalent to approximately HK\$17,033,000) (2009: RMB15,000,000 (equivalent to approximately HK\$17,033,000)) to a bank in respect of banking facilities granted to a subsidiary as 51% owned by the Group.

## **Employee Information**

As at 31 March 2010, the Group had 477 employees (2009: around 431 employees). During the year, the Group's total staff costs amounted to approximately HK\$47,123,000 (2009: approximately HK\$44,844,000), including provision for long services payment and annual leave amounted to approximately HK\$900,000 (2009: HK\$Nil). Pursuant to the share option scheme adopted by the Company, share options have been granted to eligible participants to subscribe for shares in the Company under the terms and conditions stipulated therein.

The Group's remuneration policies are formulated on the basis of the performance and experience of individual employee and are in line with local market practices where the Group operates. In addition to salary, the Group also offers to its employees other fringe benefits including provident fund and medical benefits. The Group has a share option scheme whereby qualified participants may be granted options to acquire shares of the Company. There is an aggregate of 4,979,154 outstanding options to subscribe for 4,979,154 shares of the Company pursuant to the share option scheme as at 31 March 2010.

## **Significant Investments and Acquisitions**

There were no significant acquisitions and disposals of investments by the Group during the Year Under Review.

## **Future Plan**

Going forward, in addition to the continual improvement of the operation performance of the existing beauty, slimming and spa centres. Besides, the Group will invest more resources on beauty product distribution business in order to enrich and diversify our business, bringing profits to our shareholders.

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

As at 31 March 2010, 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 directors	Number of shares			Approximate percentage of interest in the Company's issued share capital
	Corporate interests	Personal interests	Total	
Dr. Cheung Yuk Shan, Shirley	44,760,000 <i>(Note 1)</i>	30,021,000	74,781,000	25.13%

*Note 1:*

The 44,760,000 shares were held by Biochem Investments Limited ("Biochem"), a company incorporated in the British Virgin Islands with limited liability. The entire issued share capital of Biochem is wholly owned by Dr. Cheung Yuk Shan, Shirley.



Long position in underlying shares of the Company:

### Share Option Scheme

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

Name of director	Date of grant	Exercisable period	Subscription price per share	Aggregate long position in underlying shares of the Company	Approximate percentage interest in the Company's issued share capital
Dr. Cheung Yuk Shan, Shirley	10 September 2004	10 September 2004 — 3 November 2013	HK\$2.436	1,050,898	0.35%
Mr. Cheung Ka Heng, Frankie	10 September 2004	10 September 2004 — 3 November 2013	HK\$2.436	1,050,898	0.35%

*Note 1:*

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

As a result of the completions of open offer and share consolidation of the Company on 23 September 2009 and 12 February 2010, 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 31 March 2010, 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 31 March 2010, so far as 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	44,760,000	15.04%	—
Dr. Cheung Yuk Shan, Shirley	Beneficial owner	30,021,000	10.09%	1,050,898
GEM Hero Investments Limited	Beneficial owner	43,200,000	14.52%	—

Saved as disclosed above, as at 31 March 2010, 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, has registered an interest or short position in the share capital, underlying shares and debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

## 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 year, except that:

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

Full details in respect of the compliance with Appendix 15 and 16 of the GEM Listing Rule in the form of a “Corporate Governance Report” will be included in the annual report for the year ended 31 March 2010.

## **AUDIT COMMITTEE**

The Group has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. Details of the role and work performed by the committee are set out in “Corporate Governance Report” in the annual report. The audit committee has reviewed the annual financial results of the Group for the year ended 31 March 2010.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by Director on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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

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

Hong Kong, 14 June 2010

*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.*