



**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 2012**

**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 or deceptive; (2) there are no other matters the omission of which would make any statement herein or in this announcement misleading.*

*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 2012, together with the comparative audited figures for the year ended 31 March 2011, as follows:

## CONSOLIDATED INCOME STATEMENT

*For the year ended 31 March 2012*

	<i>Note</i>	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>Turnover</b>	2	<b>1,039,785</b>	627,537
Cost of sales		<u>(861,630)</u>	<u>(536,634)</u>
<b>Gross profit</b>		<b>178,155</b>	90,903
Other revenue	3	<b>276</b>	137
Other net income	3	<b>6,511</b>	1,043
Selling and distribution costs		<b>(79,062)</b>	(67,066)
General and administrative expenses		<u>(69,429)</u>	<u>(68,727)</u>
<b>Profit/(loss) from operations</b>		<b>36,451</b>	(43,710)
Finance costs	4	<b>(2,008)</b>	(1,337)
Share of losses of jointly controlled entities		<u>(76)</u>	<u>(483)</u>
<b>Profit/(loss) before taxation</b>	4	<b>34,367</b>	(45,530)
Income tax expense	5	<u>(7,847)</u>	<u>(2,503)</u>
<b>Profit/(loss) for the year</b>		<u><b>26,520</b></u>	<u>(48,033)</u>
<b>Attributable to:</b>			
Owners of the Company		<b>24,126</b>	(46,098)
Non-controlling interests		<u><b>2,394</b></u>	<u>(1,935)</u>
<b>Profit/(loss) for the year</b>		<u><b>26,520</b></u>	<u>(48,033)</u>
		<i>HK cents</i>	<i>HK cents</i>
<b>Earnings/(loss) per share</b>			
Basic and diluted	7	<u><b>9.72</b></u>	<u>(49.12)</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>Profit/(loss) for the year</b>	<u>26,520</u>	<u>(48,033)</u>
<b>Other comprehensive income for the year:</b>		
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	<u>2,496</u>	<u>2,794</u>
<b>Total comprehensive income/(loss) for the year</b>	<u>29,016</u>	<u>(45,239)</u>
<b>Attributable to:</b>		
Owners of the Company	25,266	(44,858)
Non-controlling interests	<u>3,750</u>	<u>(381)</u>
<b>Total comprehensive income/(loss) for the year</b>	<u><u>29,016</u></u>	<u><u>(45,239)</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***At 31 March 2012*

	<i>Note</i>	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>23,001</b>	28,450
Goodwill		<b>250</b>	250
Interests in jointly controlled entities		<b>5,039</b>	5,109
		<b>28,290</b>	33,809
<b>Current assets</b>			
Inventories		<b>12,795</b>	14,556
Trade receivables	9	<b>90,732</b>	70,580
Prepayments, deposits and other receivables		<b>32,134</b>	22,507
Amounts due from related parties		<b>9,803</b>	9,524
Cash and cash equivalents		<b>110,028</b>	76,386
		<b>255,492</b>	193,553
<b>Current liabilities</b>			
Bank loans		<b>14,760</b>	8,311
Trade payables	10	<b>33,628</b>	30,568
Other payables and accrued charges		<b>26,305</b>	19,279
Amount due to a director		<b>273</b>	478
Amounts due to jointly controlled entities		<b>3,590</b>	2,996
Amounts due to related parties		<b>6,463</b>	6,507
Deferred income		<b>27,956</b>	24,152
Convertible notes		<b>20,168</b>	—
Current taxation		<b>2,676</b>	538
		<b>135,819</b>	92,829
<b>Net current assets</b>		<b>119,673</b>	100,724
<b>Total assets less current liabilities</b>		<b>147,963</b>	134,533
<b>Non-current liabilities</b>			
Convertible notes		—	19,142
Deferred tax liabilities		<b>5,593</b>	3,985
		<b>5,593</b>	23,127
<b>NET ASSETS</b>		<b>142,370</b>	111,406
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>2,483</b>	2,483
Reserves		<b>116,505</b>	89,291
Total equity attributable to owners of the Company		<b>118,988</b>	91,774
Non-controlling interests		<b>23,382</b>	19,632
<b>TOTAL EQUITY</b>		<b>142,370</b>	111,406

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

	Attributable to owners of the Company											
	Share capital	Share premium	Merger reserve	Capital reduction reserve	Exchange reserve	Share-based payment reserve	Convertible notes reserve	The PRC statutory surplus reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 April 2010</b>	59,513	90,626	(3,637)	—	4,293	3,173	—	784	(98,987)	55,765	20,013	75,778
<b>Changes in equity for 2011:</b>												
Capital reduction	(59,215)	—	—	59,215	—	—	—	—	—	—	—	—
Transfer to set off accumulated losses upon capital reduction	—	—	—	(59,215)	—	—	—	—	59,215	—	—	—
Issues of shares	1,785	51,776	—	—	—	—	—	—	—	53,561	—	53,561
Share issue expenses	—	(1,556)	—	—	—	—	—	—	—	(1,556)	—	(1,556)
Equity-settled share-based transactions	—	—	—	—	—	7,921	—	—	—	7,921	—	7,921
Cancellation of share options	—	—	—	—	—	(1,757)	—	—	1,757	—	—	—
Issues of convertible notes	—	—	—	—	—	—	2,675	—	—	2,675	—	2,675
Conversion of convertible notes into shares	400	19,226	—	—	—	—	(1,360)	—	—	18,266	—	18,266
Appropriation to the PRC statutory surplus reserve	—	—	—	—	—	—	—	960	(960)	—	—	—
Total comprehensive loss for the year	—	—	—	—	1,240	—	—	—	(46,098)	(44,858)	(381)	(45,239)
<b>At 31 March 2011</b>	<u>2,483</u>	<u>160,072</u>	<u>(3,637)</u>	<u>—</u>	<u>5,533</u>	<u>9,337</u>	<u>1,315</u>	<u>1,744</u>	<u>(85,073)</u>	<u>91,774</u>	<u>19,632</u>	<u>111,406</u>
<b>At 1 April 2011</b>	2,483	160,072	(3,637)	—	5,533	9,337	1,315	1,744	(85,073)	91,774	19,632	111,406
<b>Changes in equity for 2012:</b>												
Equity-settled share-based transactions	—	—	—	—	—	1,948	—	—	—	1,948	—	1,948
Cancellation of share options	—	—	—	—	—	(489)	—	—	489	—	—	—
Appropriation to the PRC statutory surplus reserve	—	—	—	—	—	—	—	924	(924)	—	—	—
Total comprehensive income for the year	—	—	—	—	1,140	—	—	—	24,126	25,266	3,750	29,016
<b>At 31 March 2012</b>	<u>2,483</u>	<u>160,072</u>	<u>(3,637)</u>	<u>—</u>	<u>6,673</u>	<u>10,796</u>	<u>1,315</u>	<u>2,668</u>	<u>(61,382)</u>	<u>118,988</u>	<u>23,382</u>	<u>142,370</u>

Notes:

## 1. Basis of preparation

The consolidated financial statements for year ended 31 March 2012 comprise the Company and its subsidiaries (together 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 (“HKICPA”) has issued a number of amendments to Hong Kong Financial Reporting Standard (“HKFRSs”) and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s consolidated financial statements:

- HKAS 24 (revised 2009), Related party disclosures
- Improvements to HKFRSs (2010)

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

HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group’s related party disclosures in the current and previous periods. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

Improvements to HKFRSs (2010) omnibus standard introduce a number of amendments to the disclosure requirements in HKFRS 7, Financial instruments: Disclosures. The disclosures about the Group’s financial instruments have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the consolidated financial statements in the current and previous periods.

## 2. Turnover

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Distribution sale of cosmetic and skin care products	870,007	556,302
Provision of beauty and slimming services	108,386	64,621
Franchise fees income	12,208	2,779
Sale of health, beauty and related products	49,184	3,835
	<u>1,039,785</u>	<u>627,537</u>

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

## 3. Other revenue and net income

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>Other revenue</b>		
Interest income	246	81
Others	30	56
	<u>276</u>	<u>137</u>
<b>Other net income</b>		
Over-provision of operating lease rentals in respect of prior years	5,024	—
Subsidy income from the PRC government	1,279	951
Reversal of impairment loss on trade receivables	117	—
Net foreign exchange loss	(162)	(325)
Net (loss)/gain on disposal of property, plant and equipment	(24)	42
Others	277	375
	<u>6,511</u>	<u>1,043</u>

#### 4. Profit/(loss) before taxation

Profit/(loss) before taxation is arrived after charging:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
(a) Finance costs:		
Interest on bank loans	982	740
Interest on convertible notes	1,026	583
Finance charges on obligations under finance leases	—	14
	<u>2,008</u>	<u>1,337</u>
(b) Other items:		
Staff costs	68,251	59,686
Cost of inventories sold and services provided*	861,630	536,634
Auditor's remuneration	1,086	916
Depreciation on property, plant and equipment	9,226	8,835
Equity-settled share-based payment expenses for consultants and suppliers	1,948	—
Provision for impairment losses on		
— trade receivables	9	150
— other receivables	—	5,739
— deposits paid	—	2,453
Write-off of other receivables	197	228
Operating lease rentals: minimum lease payments		
— property and display location rentals	19,275	20,924
— other equipment	58	88

\* Cost of inventories sold and services provided includes HK\$1,809,000 (2011: HK\$2,114,000) relating to staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.



## 5. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>Current tax — PRC Enterprise Income Tax</b>		
Provision for the year	6,396	2,068
Over provision in respect of prior years	—	(4)
	<u>6,396</u>	<u>2,064</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>1,451</u>	439
Income tax expense	<u><u>7,847</u></u>	<u><u>2,503</u></u>

No provision for Hong Kong Profits Tax is made for 2012 (2011: HK\$Nil) as the companies in the Group either have 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 rates of taxation ruling in relevant tax jurisdictions.

## 6. Dividend

The Directors do not recommend the payment of a dividend for the year ended 31 March 2012 (2011: HK\$Nil).

## 7. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of approximately HK\$24,126,000 (2011: loss of HK\$46,098,000) and the weighted average number of ordinary shares of approximately 248,294,000 shares (2011: 93,838,000 shares) in issue during the year.

The diluted earnings/(loss) per share for the years ended 31 March 2012 and 2011 is the same as the basic earnings/(loss) per share as the assumed exercise of the outstanding share options and convertible notes has anti-dilutive effect.

## 8. Segment reporting

### (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 of cosmetic and skin care products		Provision of beauty and slimming services		Franchise operations		Sale of health, beauty and related products		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue from external customers	<u>870,007</u>	<u>556,302</u>	<u>108,386</u>	<u>64,621</u>	<u>58,414</u>	<u>3,351</u>	<u>2,978</u>	<u>3,263</u>	<u>1,039,785</u>	<u>627,537</u>
Reportable segment results	<u>11,992</u>	<u>6,231</u>	<u>18,404</u>	<u>(23,197)</u>	<u>12,561</u>	<u>(7,301)</u>	<u>(667)</u>	<u>(1,828)</u>	<u>42,290</u>	<u>(26,095)</u>
Unallocated corporate expenses									<u>(5,856)</u>	<u>(17,695)</u>
Unallocated corporate other revenue									<u>17</u>	<u>80</u>
Profit/(loss) from operations									<u>36,451</u>	<u>(43,710)</u>
Finance costs									<u>(2,008)</u>	<u>(1,337)</u>
Share of losses of jointly controlled entities									<u>(76)</u>	<u>(483)</u>
Profit/(loss) before taxation									<u>34,367</u>	<u>(45,530)</u>
Income tax expense									<u>(7,847)</u>	<u>(2,503)</u>
Profit/(loss) for the year									<u>26,520</u>	<u>(48,033)</u>
Provision for impairment losses on										
— Trade receivables	9	150	—	—	—	—	—	—	9	150
— Deposits paid	—	—	—	—	—	—	—	2,096	—	2,096
Reversal of impairment loss on trade receivables	117	—	—	—	—	—	—	—	117	—
Write-off of other receivables	—	—	197	30	—	—	—	—	197	30
Depreciation	1,644	2,407	6,454	6,324	448	55	24	25	<u>8,570</u>	<u>8,811</u>
Segment assets										
— Property, plant and equipment	4,608	5,402	13,992	19,037	1,683	1,213	17	41	20,300	25,693
— Interests in jointly controlled entities	—	—	5,039	5,109	—	—	—	—	5,039	5,109
— Other assets	127,869	96,572	56,706	31,490	29,919	13,852	841	1,329	215,335	143,243
Unallocated corporate assets									<u>43,108</u>	<u>53,317</u>
Total assets									<u>283,782</u>	<u>227,362</u>
Segment liabilities	(67,766)	(49,577)	(38,497)	(32,584)	(12,637)	(9,422)	(2)	(690)	(118,902)	(92,273)
Unallocated corporate liabilities									<u>(22,510)</u>	<u>(23,683)</u>
Total liabilities									<u>(141,412)</u>	<u>(115,956)</u>
Additions to segment non-current assets	763	2,780	1,125	8,915	870	1,239	—	—	<u>2,758</u>	<u>12,934</u>

(b) *Geographical information*

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

	The PRC		Hong Kong		Total	
	2012	2011	2012	2011	2012	2011
	<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>972,621</u>	<u>587,093</u>	<u>67,164</u>	<u>40,444</u>	<u>1,039,785</u>	<u>627,537</u>
Non-current assets	<u>18,197</u>	<u>21,033</u>	<u>10,093</u>	<u>12,776</u>	<u>28,290</u>	<u>33,809</u>

(c) *Major customers*

During the year ended 31 March 2012, only one customer with whom transactions exceeded 10% of the Group's revenue. Revenue from distribution sale of cosmetic and skin care products to this customer in the PRC amounted to approximately HK\$168,891,000.

No customer accounted for 10% or more of the Group's revenue for the year ended 31 March 2011.

9. **Trade receivables**

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	91,234	71,190
Less: allowance for doubtful debts	<u>(502)</u>	<u>(610)</u>
	<u>90,732</u>	<u>70,580</u>

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

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	<u>89,553</u>	<u>70,580</u>
Less than 1 month past due	527	—
1 to 2 months past due	504	—
More than 2 months but less than 12 months past due	<u>148</u>	<u>—</u>
Amounts past due	<u>1,179</u>	<u>—</u>
	<u>90,732</u>	<u>70,580</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 usually 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 end of the reporting period:

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Due within 1 month or on demand	<u><b>33,628</b></u>	<u>30,568</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the year ended 31 March 2012 (the “Year Under Review”), global markets suffered from weak U.S. economic growth, Europe’s ongoing debt crisis and the Japanese earthquake. In the People’s Republic of China (the “PRC”), the Central Government imposed a series of economic measures to cool the overheating economy and tame inflation. Equity markets all over the world performed poorly during the Year Under Review. Despite the uncertain global market, the Group’s wide variety mix of business and clientele enabled us to steer through the volatility and deliver a solid performance in the Year Under Review.

For the Year Under Review, the Group’s turnover amounted to approximately HK\$1,039,785,000, representing an increase of 65% from approximately HK\$627,537,000 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”). Turnover from Dong Fang increased by 56% to approximately HK\$870,007,000 during the Year Under Review, (2011: approximately HK\$556,302,000).

Notwithstanding the challenging market conditions encountered during the year, all our beauty, slimming and spa centres in both Hong Kong and in the PRC have strong performances in the year. During the Year Under Review, the turnover generated from all our beauty, slimming and spa centres amounted to approximately HK\$108,386,000 (2011: approximately HK\$64,621,000), representing an inspiring increase of 67% as compared to that of last year. During the Year Under Review, the new franchise co-operation business contributed HK\$58,414,000 turnover to the Group (2011: HK\$3,351,000).

During the Year Under Review, the Group recorded an increase of approximately HK\$87,252,000 in gross profit. The Group turned from a loss of approximately HK\$48,033,000 (loss attributable to owners of the Company: HK\$46,098,000) in last year to a profit of approximately HK\$26,520,000 (profit attributable to owners of the Company: HK\$24,126,000). The sharp turnaround is not only benefits from the improved performances of all the business segments, but also contributed from the tight control over all the operating costs, and reducing these wherever possible. During the Year Under Review, the administrative expenses amount to HK\$69,429,000 (2011: approximately HK\$68,727,000). During the year, the Group granted 5,880,000 share options to eligible participants, share option expenses of HK\$1,948,000 are incurred. Notwithstanding of the significant increase in turnover, the administrative expenses are still comparable to that of last year.

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 clients.

## **Beauty, Slimming and Spa Centres**

In Hong Kong, with the uplifting lifestyle of females, beauty, slimming and anti-aging have gradually turned from luxury to become the daily necessities. With the increasing stress and pace of life, the Group understands that clients are requesting efficient and effective, relaxing and revitalizing beauty and slimming services. In response to these high demands, Sau San Tong introduces many innovative beauty and slimming, as well as anti-aging treatments, among of these, “Perfect Body Contouring Combination System” is one of our highlights. It uses ultrasound waves to generate cavitations to emulsifying fat and then removing them from our bodies naturally through urine and lymphatic system. Besides, Sau San Tong also brings “Bubble O<sub>2</sub> OxySpace” from Europe to our prestige clients, Bubble O<sub>2</sub> OxySpace provides purified oxygenated environment to increase the effectiveness of various kinds of beauty and slimming treatments, and at the same time, our clients can breathe 0% polluted air and to enjoy deep relax. Sau San Tong devoted to allow our clients feel like reborn after receiving our tailor-made and effective treatments. In addition to provide the best in class services to our clients, the Group also invests more and more resources to the research and development. Sau San Tong’s mission is bring out the most beautiful side of each of our clients.

China’s vast beauty and slimming market is growing extremely fast. As income levels continue to rise and leading to higher consumption power, mainland female consumers’ demands for high-end slimming and beauty services is bound to increase further. 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.

## **Management Consultation Services**

Being the leading beauty and slimming services provider, the 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. The Group believes that, with a lack of expertise in the PRC beauty and slimming market, a high demand for this kind of consultancy services is expected.

## **Health and Beauty Products**

The Group’s ability of introducing innovative and quality products has been proven in the past and earned a leading status in Hong Kong market. The management believes by leveraging on “Sau San Tong” brand name and the customer confidence built up over the years, these health and beauty products will be well received in the market. With the introduction of the Consultant, more than 100 points of sales in the PRC have been located. Moreover, with the opening of more and more franchise co-operate beauty and slimming shops in the PRC, the Group is confident that the products sales business line will be another major stream of business of the Group.

## **Distribution Business in the PRC**

Apart from provision of slimming and beauty services, another major line of business is product distribution. Dong Fang is the biggest distributor in East China Area of P&G products, and we are the sole distributor of SK-II, the world top class skincare brand, in the Eastern and Western China. This year is a strong year of our product distribution segment, the turnover achieved a record high of HK\$870,007,000 approximately. Aside from SK-II, we also distribute Olay and various P&G personal care, cosmetic and skin care products and also Gillette Men series. Besides, Dong Fang is authorized by P&G as the sole distributor to distributes its world famous brands of prestige fragrances, such as, Gucci, Dolce & Gabbana, Hugo, BOSS, Anna Sui, Dunhill, MontBlanc, ESCADA, etc. in the PRC (except for departmental store channel). 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 new heights and in turn contribute to the Group with stable and sizeable source of income.

## **Franchise Co-operation Business in the PRC**

Since when the Group tapped in the PRC market in 2004, the Group was undoubtedly believed that the PRC market is so vast and full of opportunities. In order to grab the market share and to build up the brand rapidly, we believe that franchising co-operation model should be the best way. A few years ago, the Group attempted the franchise co-operation business with internal available resources. However, due to the lack of allocated resources and expertise, the performance is still thankless even after years of effort. We learnt a precious lesson.

In June 2010, the Group reformed the business model of franchise co-operation business, with the passion and efforts of the Group, the growing pace and the results of the business segment is highly exciting. In barely 1 year of time and up to 31 March 2012, more than 130 franchise co-operation contracts have been signed and more than 40 franchise co-operate beauty and slimming shops distributed in more than 40 cities in PRC have been opened. Such impressive results showing the brand image of the Group is highly reputed and the Group's vision is correct, and giving the Group more confidence to develop the franchise co-operation business and to invest more resources into it.

## **Outlook**

Looking ahead, with the Eurozone sovereign debt crisis still some way from resolution, the slow recovery of United States, and coupled with China announcing a slowdown for economic growth, the general outlook remains uncertain. However, the Group has been actively monitoring the operating costs as well as focusing on the maintenance of a healthy financial position. Therefore, despite the changes and challenges in the business environment, we are still cautiously optimistic about the performance of the Group in the coming year.

Sau San Tong foresees that there is a trend of shifting to high-quality, tailor-made and caring personal services. In view of this, the Group will continue to upgrade our professional service standards, to put more efforts on treatments and products research and development, as well as to strengthen the communications with our clients to fulfill their individual and unique needs. Apart from these, we will also explore new business channels to expand the Group's business mix. We will continue to pursue strategies that can deliver sustainable long term growth.

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

Cash and bank balances as at 31 March 2012 were approximately HK\$110,028,000 compared to approximately HK\$76,386,000 as at 31 March 2011. The Group's gearing ratio of 10% (2011: 7%) was based on the total of bank borrowings of approximately HK\$14,760,000 (2011: approximately HK\$8,311,000) and the net assets of the Group of approximately HK\$142,370,000 (2011: approximately HK\$111,406,000). As at 31 March 2012, the Group's liability was approximately HK\$141,412,000, compared to approximately HK\$115,956,000 as at 31 March 2011. It includes account payables and other payables approximately HK\$59,933,000 (2011: approximately HK\$49,847,000), mainly for the daily operations of our subsidiary — Dong Fang, deferred income approximately HK\$27,956,000 (2011: approximately HK\$24,152,000) and bank borrowings approximately HK\$14,760,000 (2011: approximately HK\$8,311,000), 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 1.88:1 (2011: 2.08:1), reflecting the adequacy of financial resources.

## **Convertible Notes and Unlisted Warrants**

Pursuant to the subscription agreement entered into between the Company and Dr. Cheung Yuk Shan, Shirley and an ordinary resolution passed at the EGM, the Company issued a convertible note in the principal amount of HK\$20,000,000 to Dr. Cheung Yuk Shan, Shirley ("Subscription Convertible Note") on 5 November 2010. The Subscription Convertible Note is with 2% interest rate per annum and is due in 2 years from the date of issue and convertible into ordinary shares at an initial conversion price of HK\$0.50 per conversion share, subject to adjustments. Up to the date of this announcement, the Subscription Convertible Note has not yet been converted.

Pursuant to the consultancy agreement entered into between the Company and the consultant on 24 June 2010 (the "Consultancy Agreement"), and an ordinary resolution passed at the EGM, upon completing the requirements stated in the Consultancy Agreement, the Company agrees to issue unlisted warrants to the consultant for the financial years of 2011/12 and 2012/13. During the Year Under Review, no unlisted warrants have been issued to the consultant.

## **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. The Group has no investments in derivatives, bonds or structured financial products.

## **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 2012, the Group's net assets amounted to approximately HK\$142,370,000 compared to approximately HK\$111,406,000 as at 31 March 2011. There are no charges on the Group's assets as at 31 March 2012.

## **Contingent Liabilities**

At 31 March 2012 and 2011, the Group and the Company had no material contingent liabilities.

## **Employee Information**

As at 31 March 2012, the Group had 480 employees (2011: around 462 employees). During the year, the Group's total staff costs amounted to approximately HK\$68,251,000 (2011: approximately HK\$59,686,000).

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 share option, provident fund and medical benefits.

## **Share Option Scheme**

The Group has a share option scheme whereby qualified participants may be granted options to acquire shares of the Company, under the terms and conditions stipulated therein, as incentives or rewards for their contributions to the Group. During the Year Under Review, the Company granted further 5,880,000 share options under the share option scheme to eligible participants, including business consultants and suppliers to subscribe for shares in the Company. Together with the share options issued during the year, there is an aggregate of 19,296,248 outstanding options to subscribe for 19,296,248 shares of the Company pursuant to the share option scheme as at 31 March 2012.

## **Significant Investments and Acquisitions**

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

## **Events after the Reporting Period**

Under the Company's Share Option Scheme, the Company granted a total of 24,829,375 share options to certain employees of the Group on 28 May 2012 to subscribe for one ordinary share of the Company at an exercise price of HK\$0.475 for 5 years from the date of grant. The grants were subject to the acceptance of the grantees.

## **Future Plan**

Going forward, in addition to the continual improvement of the operation performance of the existing beauty, slimming and spa centres, the Group will invest more resources on franchise co-operation business, beauty product distribution business, product research and development and e-commerce business in order to enrich and diversify our business, bringing long-term profits to our shareholders.



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

As at 31 March 2012, 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	31,332,000 (Note 1)	40,322,700	71,654,700	28.86%
Mr. Cheung Ka Heng, Frankie	—	4,828,000	4,828,000	1.94%

#### *Note 1:*

The 31,332,000 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\$7.9226 (Note 2)	323,124 (Note 2)	0.13%
Mr. Cheung Ka Heng, Frankie	10 September 2004	10 September 2004 — 3 November 2013	HK\$7.9226 (Note 2)	323,124 (Note 2)	0.13%
Mr. Cheung Ka Heng, Frankie	2 March 2011	2 March 2011 — 1 March 2016	HK\$0.66	2,000,000	0.81%

*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 completions of capital reorganisation and rights issue of the Company on 2 November 2010 and 3 December 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 2012, 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 2012, 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:***

<b>Substantial shareholder</b>	<b>Capacity</b>	<b>Number of shareholding</b>		<b>Number of share options held</b>
		<b>Share</b>	<b>Percentage</b>	
Biochem	Beneficial owner	31,332,000	12.62%	—
Dr. Cheung Yuk Shan, Shirley	Beneficial owner	40,322,700	16.24%	323,124

Saved as disclosed above, as at 31 March 2012, 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 (the “Code”) 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 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 2012.

## **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 consolidated financial statements of the Group for the year ended 31 March 2012.

## **REMUNERATION COMMITTEE**

The Remuneration Committee of the Company was established in accordance with the Code. The Terms of Reference of the Remuneration Committee approved by the Board of Directors are available on the websites of the Stock Exchange and the Company. The main role and function include, but are not limited to, the determination of the specific remuneration packages of all Executive Directors, including benefits in kind, pension rights and compensation payments, any compensation payable for loss or termination of their office or appointment. Members of the Remuneration Committee include three independent non-executive directors, namely, Mr. Li Kuo Hsing (Chairman of the Remuneration Committee), Mr. Hong Po Kui, Martin and Ms. Hui Yat Lam.

## **NOMINATION COMMITTEE**

The Company established a nomination committee on 29 March 2012 with written terms of reference in compliance with the Code. The Terms of Reference of the Nomination Committee approved by the Board are available on the website of the Stock Exchange and the Company. Members of the Nomination Committee include two executive directors, namely, Dr. Cheung Yuk Shan, Shirley (Chairman of the Nomination Committee) and Mr. Cheung Ka Heng, Frankie and three independent non-executive directors, namely, Mr. Hong Po Kui, Martin, Mr. Li Kuo Hsing and Ms. Hui Yat Lam. The main responsibilities of the Nomination Committee include, but are not limited to, making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman of the Board and the chief executive officer of the Company.

## **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, 29 June 2012

*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.*