



2012

Interim Report  
中期業績報告



修身堂控股有限公司  
SAU SAN TONG HOLDINGS LIMITED  
Stock Code 股份代號: 8200

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

## 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 2012, together with the comparative figures of the corresponding period in 2011, as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Turnover	2	283,097	240,583	541,490	447,897
Cost of sales		(243,923)	(191,703)	(461,802)	(354,633)
Gross profit		39,174	48,880	79,688	93,264
Other revenue		503	92	723	595
Selling and distribution expenses		(16,619)	(18,652)	(33,912)	(35,451)
General and administrative expenses		(18,401)	(17,552)	(36,521)	(31,685)
Profit from operations		4,657	12,768	9,978	26,723
Finance costs		(247)	(206)	(475)	(391)
Share of (losses)/profits of jointly controlled entities		(353)	(10)	1,501	(381)
Profit before taxation	3	4,057	12,552	11,004	25,951
Income tax expense	4	(2,514)	(1,387)	(4,482)	(2,115)
Profit for the period		1,543	11,165	6,522	23,836
Attributable to:					
Owners of the Company		296	9,331	2,362	20,410
Non-controlling interests		1,247	1,834	4,160	3,426
		1,543	11,165	6,522	23,836
Earnings per share	5				
Basic and diluted, HK cents		0.12	3.76	0.95	8.22

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	For the three months ended 30 September		For the six months ended 30 September	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Profit for the period</b>	<b>1,543</b>	11,165	<b>6,522</b>	23,836
<b>Other comprehensive income for the period:</b>				
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	87	149	154	454
<b>Total comprehensive profit for the period</b>	<b>1,630</b>	11,314	<b>6,676</b>	24,290
<b>Attributable to:</b>				
Owners of the Company	349	9,477	2,445	20,861
Non-controlling interests	1,281	1,837	4,231	3,429
<b>Total comprehensive profit for the period</b>	<b>1,630</b>	11,314	<b>6,676</b>	24,290

## CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) 30 September 2012 HK\$'000	(Audited) 31 March 2012 HK\$'000
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment	6	21,841	23,001
Goodwill		250	250
Interests in jointly controlled entities		3,075	5,039
		<b>25,166</b>	<b>28,290</b>
<b>Current assets</b>			
Inventories		12,461	12,795
Trade receivables	7	129,297	90,732
Prepayments, deposits and other receivables		72,323	32,134
Amount due from related parties		4,303	9,803
Cash and bank balances		75,391	110,028
		<b>293,775</b>	<b>255,492</b>
<b>Current liabilities</b>			
Bank loans, secured		14,760	14,760
Trade payables	8	60,081	33,628
Other payables and accrued charges		32,557	26,305
Amount due to a director		190	273
Amount due to jointly controlled entities		—	3,590
Amount due to related parties		962	6,463
Deferred income		38,229	27,956
Convertible Notes		20,168	20,168
Current taxation		2,676	2,676
		<b>169,623</b>	<b>135,819</b>
<b>Net current assets</b>		<b>124,152</b>	<b>119,673</b>
<b>Total assets less current liabilities</b>		<b>149,318</b>	<b>147,963</b>

	(Unaudited) 30 September 2012 Notes	(Audited) 31 March 2012 HK\$'000
<b>Non-current liabilities</b>		
Deferred tax liabilities	5,593	5,593
Net assets	<b>143,725</b>	142,370
<b>Capital and reserves</b>		
Share capital	2,483	2,483
Reserves	118,950	116,505
<b>Total equity attributable to owners of the Company</b>	<b>121,433</b>	118,988
<b>Non-controlling interests</b>	<b>22,292</b>	23,382
<b>Total equity</b>	<b>143,725</b>	142,370

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

For the six months ended 30 September 2012

	Attributable to owners of the Company										
	Share capital	Share premium	Merger reserve	Exchange reserve	Share-based payment reserve	Convertible notes reserve	The PRC		Total	Non- controlling interests	Total equity
							statutory	Accumulated			
							surplus reserve	losses			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2012	2,483	160,072	(3,637)	6,673	10,796	1,315	2,668	(61,382)	118,988	23,382	142,370
Change in equity for the period:											
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(5,321)	(5,321)
Total comprehensive profit for the period	-	-	-	83	-	-	-	2,362	2,445	4,231	6,676
At 30 September 2012	2,483	160,072	(3,637)	6,756	10,796	1,315	2,668	(69,020)	121,433	22,292	143,725
At 1 April 2011	2,483	160,072	(3,637)	5,533	9,337	1,315	1,744	(85,073)	91,774	19,632	111,406
Change in equity for the period:											
Total comprehensive profit for the period	-	-	-	451	-	-	-	20,410	20,861	3,429	24,290
At 30 September 2011	2,483	160,072	(3,637)	5,984	9,337	1,315	1,744	(64,663)	112,635	23,061	135,696

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	For the six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Net cash (used in)/generated from operating activities	(26,018)	177
Net cash used in investing activities	(1,898)	(1,992)
Net cash (used in)/generated from financing activities	(6,411)	5,937
(Decrease)/increase in cash and cash equivalents	(34,327)	4,122
Cash and cash equivalents as at 1 April	110,028	76,386
Effect of foreign exchange rate changes	(310)	282
Cash and cash equivalents as at 30 September	75,391	80,790
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	75,391	80,790



Notes:

## 1. Basis of preparation and significant accounting policies

The results have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, which collective term include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations and Accounting Guidelines issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and also comply with the applicable disclosure provisions of The Rules Governing the Listing of Securities on the GEM of the Stock Exchange. 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 2012.

## 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 and franchise fees income.

An analysis of the Group's turnover and operating results for the six months ended 30 September 2012 by business segments is as follows:

	For the six months ended 30 September 2012				
	Distribution sale of cosmetic and skin products HK\$'000	Provision of beauty and slimming service HK\$'000	Franchise operations HK\$'000	Sales of other health and beauty products HK\$'000	Group HK\$'000
Reportable segment revenue from external customers	478,135	44,624	18,303	428	541,490
Reportable segment results	7,830	4,244	1,745	62	13,881
Unallocated corporate expenses					(4,626)
Unallocated corporate other revenue					723
Profit from operations					9,978
Finance costs					(475)
Share of profit of jointly controlled entities					1,501
Profit before taxation					11,004
Income tax expense					(4,482)
Profit for the period					6,522

	For the six months ended 30 September 2011				Group HK\$'000
	Distribution sale of cosmetic and skin products HK\$'000	Provision of beauty and slimming services HK\$'000	Franchise operations HK\$'000	Sales of other health and beauty products HK\$'000	
Reportable segment revenue from external customers	355,139	55,924	36,040	794	447,897
Reportable segment results	6,405	10,058	12,830	246	29,539
Unallocated corporate expenses					(3,411)
Unallocated corporate other revenue					595
Profit from operations					26,723
Finance costs					(391)
Share of loss of jointly controlled entities					(381)
Profit before taxation					25,951
Income tax expense					(2,115)
Profit for the period					23,836

### 3. Profit before taxation

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

	For the six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
<b>Crediting</b>		
Interest income	96	62
<b>Charging</b>		
Depreciation on Property, plant and equipment	4,266	4,533
Operating lease rentals		
— Land and buildings	9,639	9,480
Interest on bank borrowings	475	391

#### 4. Income tax expense

No provision for Hong Kong Profits Tax is made for the three months and six months ended 30 September 2012 as the Companies in the Group either have no assessable profit or substantiated tax losses for Hong Kong Profits Tax purpose (three months and six months ended 30 September 2011: Nil). Taxation for subsidiaries outside Hong Kong is charged at the appropriate rate of taxation rating in relevant tax jurisdictions.

The details of the taxation charge are as follows:

	For the six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
Hong Kong profits tax	—	—
PRC enterprise income tax	4,482	2,115
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	4,482	2,115

#### 5. Earnings per share

The calculation of basic earnings per share for the three months and six months ended 30 September 2012 are based on the unaudited profit attributable to owners of the Company of approximately HK\$296,000 and HK\$2,362,000 respectively (2011: profit of approximately HK\$9,331,000 and HK\$20,410,000 respectively) and on the weighted average number of approximately 248,293,750 shares (three months and six months ended 30 September 2011: on the weighted average number of 248,293,750 shares).

The diluted earnings per share for the three months and six months ended 30 September 2012 and 2011 is the same as the basic earnings per share as the assumed exercise of the outstanding share options and convertible notes has anti-dilutive effect.

#### 6. Property, plant and equipment

	(Unaudited) 30 September 2012 HK\$'000	(Unaudited) 30 September 2011 HK\$'000
Opening net book amount	23,001	28,450
Exchange adjustments	1,555	172
Additions	1,994	1,992
Disposals	(443)	—
Depreciation	(4,266)	(4,533)
	<hr/>	<hr/>
Closing net book amount	21,841	26,081

## 7. Trade receivables

The ageing analysis of trade receivables (net of allowance for doubtful debts) as of the balance sheet date is as follows:

	(Unaudited) 30 September 2012 HK\$'000	(Audited) 31 March 2012 HK\$'000
Current	113,812	89,553
Less than 1 month past due	6,410	527
1 to 2 months past due	1,343	504
More than 2 month but less than 12 months past due	7,732	148
Amounts past due	15,485	1,179
	<b>129,297</b>	90,732

Trade receivables are usually due within 30 to 90 days from the date of billing.

## 8. Trade payables

The ageing analysis of trade payables as of the balance sheet date is as follows:

	(Unaudited) 30 September 2012 HK\$'000	(Audited) 31 March 2012 HK\$'000
Due within 1 month or on demand	60,081	33,628

## 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 2012 (2011: Nil).

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months and six months ended 30 September 2012 (2011: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the six months ended 30 September 2012 (“the Period Under Review”), the Group’s turnover amounted to approximately HK\$541,490,000, representing an increase of 21% from approximately HK\$447,897,000 in the corresponding period 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”). During the Period Under Review, turnover from the distribution business increased by 35% to approximately HK\$478,135,000, (2011: approximately HK\$355,139,000).

Notwithstanding the challenging market conditions encountered during the Period Under Review, all our beauty, slimming and spa centres in both Hong Kong and in the PRC have a satisfactory performances in the Period Under Review. During the Period Under Review, the turnover generated from all our beauty, slimming and spa centres amounted to approximately HK\$45,052,000 (2011: approximately HK\$56,718,000), representing a decrease of 21% as compared to that of the corresponding period in last year. During the Period Under Review, the franchise co-operation business contributed HK\$18,303,000 turnover to the Group (2011: HK\$36,040,000).

During the Period Under Review, the Group recorded a decrease of approximately HK\$13,576,000 in gross profit and has generated profit attributable to owners of the Company of approximately HK\$2,362,000 (2011: HK\$20,410,000). The results is satisfactory under intense competition and the drastic business environment among the slimming and beauty market.

## OUTLOOK

### 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. 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 such business segment is satisfactory. From the positive feedback of our co-operate beauty and slimming shops, it shows the Group is on the right business strategy track and it also indicates that 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.

## CAPITAL RESOURCES AND LIQUIDITY

Cash and bank balances as at 30 September 2012 were approximately HK\$75,391,000 compared to approximately HK\$110,028,000 as at 31 March 2012. The Group's gearing ratio of 10% (31 March 2012: 10%) was based on the bank borrowings of approximately HK\$14,760,000 and the net assets of the Group of approximately HK\$143,725,000. As at 30 September 2012, the Group's liability was approximately HK\$175,216,000, compared to approximately HK\$141,412,000 as at 31 March 2012. It includes account payables and other payables approximately HK\$92,638,000 (31 March 2012: approximately HK\$59,933,000), mainly for the daily operations of our subsidiary — Dong Fang, deferred income approximately HK\$38,229,000 (31 March 2012: approximately HK\$27,956,000) and bank borrowings approximately HK\$14,760,000 (31 March 2012: approximately HK\$14,760,000), 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 1.73:1 (31 March 2012: 1.88:1), reflecting the adequacy of financial resources. Since the Group's assets and liabilities, revenue and payments are mainly denominated in Hong Kong Dollars and Renminbi, the Group considers that there was no significant exposure to foreign exchange fluctuations.

## CONVERTIBLE NOTE 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 on 5 November 2010.

The 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 report, the 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. Up to the date of this report, 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.

## NET ASSETS

As at 30 September 2012, the Group's net assets amounted to approximately HK\$143,725,000 compared to approximately HK\$142,370,000 as at 31 March 2012. There are no charges on the Group's assets as at 30 September 2012.

## CONTINGENT LIABILITIES

As at 30 September 2012, there were no material contingent liabilities.

## EMPLOYEE INFORMATION

As at 30 September 2012, the Group had around 506 employees (2011: around 465 employees). During the Period Under Review, the Group's total staff costs amounted to approximately HK\$30,674,000 (2011: approximately HK\$28,453,000).

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 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. 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 30 September 2012.

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

As at 30 September 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 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	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 of 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	323,124	0.13%
Mr. Cheung Ka Heng, Frankie	10 September 2004	10 September 2004 – 3 November 2013	HK\$7.9226	323,124	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:* The above interest constitutes a long position of the Director in a physically settled equity derivative for the purpose of the SFO.

Save as disclosed above, as at 30 September 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 corporations (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

	Date of grant	Exercisable period	Subscription price per share HK\$	At 1 April 2012	Cancelled/ lapsed during the period	At 30 September 2012
Directors	10 September 2004	10 September 2004 – 3 November 2013	7.9226	646,248	–	646,248
	2 March 2011	2 March 2011 – 1 March 2016	0.6600	2,000,000	–	2,000,000
Employees	2 March 2011	2 March 2011 – 1 March 2016	0.6600	10,770,000	–	10,770,000
	22 February 2012	22 February 2012 – 21 February 2017	0.497	5,880,000	–	5,880,000
				19,296,248	–	19,296,248
	Weighted average exercise price			HK\$0.8536		HK\$0.8536
	Weighted average of remaining contractual life			4.15 years		3.65 years

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2012, 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	31,332,000	12.62%	—
Dr. Cheung Yuk Shan, Shirley	Beneficial owner	40,322,700	16.24%	323,124

Save as disclosed above, as at 30 September 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, 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.

According to code provision E.1.3, the notice of the annual general meeting (“AGM”) shall have been sent to all shareholders of the Company at least 20 clear business days before the date of the AGM. The notice of the AGM held on 21 September 2012 had been sent to all shareholders of the Company less than 20 clear business days in advance. The Directors believe that this was an exceptional incident because the Chairman is expected to have other business commitments afterwards and the Company ensures further compliance with code provision E.1.3.

## 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 2012.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the three months and six months ended 30 September 2012.

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

Hong Kong, 14 November 2012

*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.*



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