



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 THREE MONTHS AND SIX MONTHS ENDED 30 SEPTEMBER 2013**

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

** For identification purpose only*

RESULTS

The board of Directors (the “Board”) of the Company announce the unaudited consolidated financial results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 September 2013, together with the comparative figures of the corresponding period in 2012, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	<i>Notes</i>	For the three months ended 30 September		For the six months ended 30 September	
		2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Turnover	2	320,868	283,097	645,778	541,490
Cost of sales		(277,648)	(243,923)	(563,784)	(461,802)
Gross profit		43,220	39,174	81,994	79,688
Other net income		808	503	3,025	723
Selling and distribution costs		(18,006)	(16,619)	(38,366)	(33,912)
General and administrative expenses		(20,994)	(18,401)	(42,075)	(36,521)
Profit from operations		5,028	4,657	4,578	9,978
Finance costs		(634)	(247)	(1,060)	(475)
Share of (losses)/profits of jointly controlled entities		(556)	(353)	(818)	1,501
Profit before taxation	3	3,838	4,057	2,700	11,004
Income tax expense	4	(1,607)	(2,514)	(3,373)	(4,482)
Profit/(loss) for the period		<u>2,231</u>	<u>1,543</u>	<u>(673)</u>	<u>6,522</u>
Attributable to:					
Owners of the Company		2,138	296	(2,606)	2,362
Non-controlling interests		93	1,247	1,933	4,160
		<u>2,231</u>	<u>1,543</u>	<u>(673)</u>	<u>6,522</u>
Earnings/(loss) per share	5				
Basic and diluted, HK cents		<u>0.86</u>	<u>0.12</u>	<u>(1.05)</u>	<u>0.95</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	For the three months ended 30 September		For the six months ended 30 September	
	2013	2012	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period	<u>2,231</u>	<u>1,543</u>	<u>(673)</u>	<u>6,522</u>
Other comprehensive income for the period:				
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	<u>2</u>	<u>87</u>	<u>15</u>	<u>154</u>
Total comprehensive profit/(loss) for the period	<u><u>2,233</u></u>	<u><u>1,630</u></u>	<u><u>(658)</u></u>	<u><u>6,676</u></u>
Attributable to:				
Owners of the Company	<u>2,133</u>	<u>349</u>	<u>(2,624)</u>	<u>2,445</u>
Non-controlling interests	<u>100</u>	<u>1,281</u>	<u>1,966</u>	<u>4,231</u>
Total comprehensive profit/(loss) for the period	<u><u>2,233</u></u>	<u><u>1,630</u></u>	<u><u>(658)</u></u>	<u><u>6,676</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) 30 September 2013	(Audited) 31 March 2013
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	6	35,219	27,842
Intangible assets		8,386	8,386
Goodwill		320	320
Interests in jointly controlled entities		3,961	5,704
		<u>47,886</u>	<u>42,252</u>
Current assets			
Inventories		12,623	13,169
Trade receivables	7	140,348	132,153
Prepayments, deposits and other receivables		75,528	62,093
Amount due from related parties		7,592	9,278
Current tax recoverable		—	62
Cash and cash equivalents		84,253	73,546
		<u>320,344</u>	<u>290,301</u>
Current liabilities			
Bank loans, secured		42,125	18,585
Trade payables	8	53,139	52,927
Other payables and accrued charges		47,279	45,373
Amount due to a director		28,650	20,714
Amount due to jointly controlled entities		—	19
Amount due to related parties		968	1,392
Deferred income		25,059	21,812
Current tax payable		1,550	1,613
		<u>198,770</u>	<u>162,435</u>
Net current assets		<u>121,574</u>	<u>127,866</u>
Total assets less current liabilities		<u>169,460</u>	<u>170,118</u>
Non-current liabilities			
Other long-term liability		16,444	16,444
Deferred tax liabilities		4,393	4,393
Net assets		<u>148,623</u>	<u>149,281</u>
Capital and reserves			
Share capital		2,483	2,483
Reserves		120,407	123,031
Total equity attributable to owners of the Company		<u>122,890</u>	<u>125,514</u>
Non-controlling interests		<u>25,733</u>	<u>23,767</u>
Total equity		<u>148,623</u>	<u>149,281</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2013

	Attributable to owners of the Company											
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Share-based payment reserve <i>HK\$'000</i>	Convertible notes reserve <i>HK\$'000</i>	The PRC statutory surplus reserve <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 April 2013	2,483	160,072	(3,637)	6,974	10,732	—	4,463	48	(55,621)	125,514	23,767	149,281
Change in equity for the period:												
Total comprehensive (loss)/profit for the period	—	—	—	(18)	—	—	—	—	(2,606)	(2,624)	1,966	(658)
At 30 September 2013	<u>2,483</u>	<u>160,072</u>	<u>(3,637)</u>	<u>6,956</u>	<u>10,732</u>	<u>—</u>	<u>4,463</u>	<u>48</u>	<u>(58,227)</u>	<u>122,890</u>	<u>25,733</u>	<u>148,623</u>
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	<u>2,483</u>	<u>160,072</u>	<u>(3,637)</u>	<u>6,756</u>	<u>10,796</u>	<u>1,315</u>	<u>2,668</u>	<u>—</u>	<u>(59,020)</u>	<u>121,433</u>	<u>22,292</u>	<u>143,725</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	For the six months ended 30 September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(2,110)	(26,018)
Net cash used in investing activities	(10,738)	(1,898)
Net cash generated from/(used in) financing activities	<u>23,540</u>	<u>(6,411)</u>
Increase/(decrease) in cash and cash equivalents	10,692	(34,327)
Cash and cash equivalents as at 1 April	73,546	110,028
Effect of foreign exchange rate changes	<u>15</u>	<u>(310)</u>
Cash and cash equivalents as at 30 September	<u><u>84,253</u></u>	<u><u>75,391</u></u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<u><u>84,253</u></u>	<u><u>75,391</u></u>

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 2013.

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 2013 by business segments is as follows:

	For the six months ended 30 September 2013				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	585,149	43,924	15,957	748	645,778
Reportable segment results	11,293	(4,146)	(3,039)	438	4,546
Unallocated corporate expenses					(2,993)
Unallocated corporate other net income					3,025
Profit from operations					4,578
Finance costs					(1,060)
Share of loss of jointly controlled entities					(818)
Profit before taxation					2,700
Income tax expense					(3,373)
Loss for the period					(673)

	For the six months ended 30 September 2012				Group HK\$'000
	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	
Reportable segment revenue from external customers	<u>478,135</u>	<u>44,624</u>	<u>18,303</u>	<u>428</u>	<u>541,490</u>
Reportable segment results	<u>7,830</u>	<u>4,244</u>	<u>1,745</u>	<u>62</u>	13,881
Unallocated corporate expenses					(4,626)
Unallocated corporate other net income					<u>723</u>
Profit from operations					9,978
Finance costs					(475)
Share of profit of jointly controlled entities					<u>1,501</u>
Profit before taxation					11,004
Income tax expense					<u>(4,482)</u>
Profit for the period					<u>6,522</u>

3. Profit before taxation

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

	For the six months ended 30 September	
	2013 HK\$'000	2012 HK\$'000
Crediting		
Interest income	<u>145</u>	<u>96</u>
Charging		
Depreciation on Property, plant and equipment	3,216	4,266
Operating lease rentals		
— Land and buildings	13,180	9,639
Interest on bank borrowings	<u>1,060</u>	<u>475</u>

4. Income tax expense

No provision for Hong Kong Profits Tax is made for the three months and six months ended 30 September 2013 as the Companies in the Group either have sustained tax losses or have no assessable profit for Hong Kong Profits Tax purpose (three months and six months ended 30 September 2012: Nil). Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in relevant tax countries.

The details of the taxation charge are as follows:

	For the six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
Hong Kong profits tax	—	—
PRC enterprise income tax	<u>3,373</u>	<u>4,482</u>
	<u>3,373</u>	<u>4,482</u>

5. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share for the three months and six months ended 30 September 2013 are based on the unaudited profit/(loss) attributable to owners of the Company of approximately HK\$2,138,000 and HK\$(2,606,000) respectively (2012: profit of approximately HK\$296,000 and HK\$2,362,000 respectively) and on the weighted average number of approximately 248,293,750 shares (three months and six months ended 30 September 2012: on the weighted average number of 248,293,750 shares).

The diluted earnings/(loss) per share for the three months and six months ended 30 September 2013 and 2012 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.

6. Property, plant and equipment

	(Unaudited) 30 September 2013 HK\$'000	(Unaudited) 30 September 2012 HK\$'000
Opening net book amount	27,842	23,001
Exchange adjustments	—	1,555
Additions	10,593	1,994
Disposals	—	(443)
Depreciation	<u>(3,216)</u>	<u>(4,266)</u>
Closing net book amount	<u>35,219</u>	<u>21,841</u>

7. Trade receivables

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

	(Unaudited) 30 September 2013 <i>HK\$'000</i>	(Audited) 31 March 2013 <i>HK\$'000</i>
Current	<u>120,221</u>	<u>126,200</u>
Less than 1 month past due	18,220	2,442
1 to 2 months past due	1,435	512
More than 2 month but less than 12 months past due	472	2,575
More than 12 months past due	<u>—</u>	<u>424</u>
Amounts past due	<u>20,127</u>	<u>5,953</u>
	<u>140,348</u>	<u>132,153</u>

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 2013 <i>HK\$'000</i>	(Audited) 31 March 2013 <i>HK\$'000</i>
Due within 1 month or on demand	<u>53,139</u>	<u>52,927</u>

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 2013 (2012: Nil).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2013 (2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 September 2013 (the “Period Under Review”), the Group’s turnover amounted to approximately HK\$645,778,000, representing an increase of 19% from approximately HK\$541,490,000 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 22% to approximately HK\$585,149,000, (2012: approximately HK\$478,135,000).

Notwithstanding the challenging market conditions encountered during the Period Under Review, the performance of all our beauty, slimming and spa centres in both Hong Kong and in the People’s Republic of China (the “PRC”) is still satisfactory. During the Period Under Review, the turnover generated from all our beauty, slimming and spa centres amounted to approximately HK\$44,672,000 (2012: approximately HK\$45,052,000), representing a decrease of 1% only as compared to that of the corresponding period in last year. During the Period Under Review, the franchise co-operation business contributed HK\$15,957,000 turnover to the Group (2012: HK\$18,303,000).

During the Period Under Review, the Group recorded an increase of approximately HK\$2,306,000 in gross profit and has generated loss attributable to owners of the Company of approximately HK\$2,606,000 (2012: profit of approximately HK\$2,362,000). The results is mainly due to intense competition, slowdown of the customer sentiment in Hong Kong segment and expansion of the business of the Group.

OUTLOOK

Beauty, Slimming and Spa Centers

Against a background of modest expansion in the Hong Kong economy, the retail sector showed retarded growth during the Period Under Review. This has compounded existing unfavorable operating factors in Hong Kong linked to high rental and inflation pressure. Nevertheless, beauty, slimming and spa products and services have exhibited relatively strong attributes and resilience against declining economy, as they have gradually changed from being luxury to necessities for the local female population. As income continued to rise and lifestyle became increasingly busy, relaxing and revitalizing beauty and slimming service and high-end products saw steady increases in demand. Market sophistication also favored the dominance of the higher end market by Sau San Tong which enjoys strong brand recognition and quality reputation. However, at the start of migration to the high-end market, the Group unavoidably suffered from an initial set back in the segmental results due to the lower margin of high-end products. This was further aggravated by negative factors such as throttling rentals and increases in costs of sale.

In an effort to further strengthen its leading market position, the Group has introduced a number of innovative beauty, slimming and anti-aging treatments and machineries. 4S thermal longevity therapy is one of the highlights introduced. It mimics the traditional Chinese cupping therapy which uses thermal energy and negative pressure to promote localized blood and lymph circulations, improve skin elasticity and invigorate metabolism with the aim of body detoxification and slimming. We also launched the “Restorative Redefining Body-shaping Therapy” using ROBOLEX which combines four major slimming technologies, namely multi-frequency transmission, ultra-sound, laser and negative pressure in one to deliver enhanced slimming and shaping results. ROBOLEX has obtained the CE certification and can effectively help to resolve fat accumulation, edema and slack skin issues through a painless, massage-like procedure. We have also pioneered the combination of treatment with health foods and launched our exclusive “Trim-me Revitalizing Magnetotherapy” to help our customers build attractive silhouettes. While slimming honey is an all-natural drink to help the body dissolve fat, the treatment also uses magnetic geranium, a natural mineral to replenish the body with negative ions in order to purify the blood, invigorate body cells, boost immunity and alleviate insomnia. Combined with pilates, the entire body is strengthened and toned through an emphasis on both muscle building and regulated breathing to achieve outstanding slimming results. Sau San Tong is committed to delivering efficient and effective beauty and slimming treatments to allow our clients to feel refreshed and reborn. In addition to providing top-notch beauty and slimming products and services, the Group invests extensively in research and development and new technologies in the drive to create and unleash the beauty of each of our clients.

As vast swathes of the Chinese population begin to have increasing disposable income to spend on items other than the living essentials, the PRC beauty and slimming market continues to be underpinned by strong demand. Unscathed by the deceleration in economic growth and the central government’s frugality drive that mainly focuses on government officials, China’s vast market is supported by a significant number of female consumers who are able to afford more expensive high-end beauty and slimming services and demand for reliable anti-aging treatments. Given our presence in the PRC market and solid reputation built over the years, we have established a strong distribution and sales platform, solid foundation and strong brand visibility in the mainland with the establishment of deluxe beauty, slimming and spa centers. With a bigger population moving up the economic ladder, we believe that the beauty, slimming and anti-aging market in China will continue to grow. Capitalizing on our established presence and reputation, we will continue to earnestly expand our business in the PRC cities to achieve sustainable growth and return.

To leverage on our wealth of know-hows in the industry accumulated over the years, and to better capitalize on its existing resources, the Group also provides management consultation services for the setting up of beauty, slimming and spa centers. The management believes that the provision of consultation services by our high caliber professionals in the management and operation of beauty, slimming and spa centers will continue to enjoy high demand while there is a lack of related expertise in the PRC market.

Distribution Business in the PRC

Paralleled to the provision of slimming and beauty services, product distribution is another core business of the Group. Dong Fang is the biggest distributor of P&G products in East China Area, and we are the sole distributor of SK-II, the world top class skincare brand, in the Eastern and Western China. Apart from SK-II, we also distribute Olay and various P&G personal care, cosmetic and skin care products, as well as Gillette Men series. Also, Dong Fang is authorized by P&G as the sole distributor to distribute its world recognized brands of high-end prestige fragrances, including Gucci, Dolce & Gabbana, Hugo, BOSS, Anna Sui, Dunhill, MontBlanc and ESCADA in the PRC (excluding departmental store channel). Looking ahead, as China continues shift a higher percentage of its GDP to high-end products, the management anticipates the revenues generated from the distribution business will continue to attain new heights and generate stable and sizeable income to the Group.

Health and Beauty Products

Being a leading beauty and slimming services provider on the market, the Group is committed to development and introduction of new and innovative products that cater to the needs and demands of its customers. The Group has launched various products embedding an innovative mix of ingredients and technologies. One feature product launched is “Rebalancing Purifying Cream”. Formulated with oil absorption factors, our “Rebalancing Purifying Cream” suppresses excessive sebum production, minimizes the pores and replenishes the skin with hydration it needs all day long, responding to the needs of combination and oily skins. Another product is “Ultra Revitalizing Eye Trio” includes two eye products created with multiple biotechnologies and advanced active ingredients including hyaluronic acid, hydrolyzed collagen, panthenol and vitamin derivatives to resolve major issues in the eye area. The high frequency massage stick coming in the trio is of unique design and an utmost in eye care routines. In future, the Group will focus on launching highly specialized products to address different skin concerns in different geographic locations, climates and seasons. The Group is confident that the products sales business line will become another major business stream of the Group.

Franchise Co-operation Business in the PRC

The Group started to tap in the PRC market in 2004 upon seeing the vast potential market in the PRC. Looking to capture a sizeable market share and establish its brand presence in a short time, we believed that the franchising co-operation model should be the best way. However, our virgin attempt of franchise co-operation business building on internal available resources lagged our expectation during the first few years due to a lack of allocated resources and expertise. Despite this initial setback, we successfully turned it into a valuable lesson for future business building.

Learning from our previous experience, the Group reformed the business model of its franchise co-operation business in June 2010. Since then, this segment has been realizing outstanding growth and exciting results. 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.

BeautyU Online Booking Platform

In October 2012, the Group officially launched "BeautyU" website as the first online beauty and slimming service booking platform in the PRC. "BeautyU" is the fruitful result of the joint initiative of Sau San Tong and an equity fund to serve as a platform for beauty and slimming service providers to join the platform. Also, as China has the largest number of online consumers in the world, the Group has embraced the "online" strategy for growing its income stream. Revolutionizing the traditional consumption model of big lump-sum prepayments, this new booking platform promotes self-service booking on a charge-per-usage basis with clear charge standards and user comments published on the website. As a pioneer of its type, the website vows to the philosophy of "promotion without hard-selling" which allows customers to pick the place, date, time and service at their own decision, introducing our customers a new lifestyle as well as leading the way of internet selling in the beauty and slimming industry.

CAPITAL RESOURCES AND LIQUIDITY

Cash and bank balances as at 30 September 2013 were approximately HK\$84,253,000 compared to approximately HK\$73,546,000 as at 31 March 2013. The Group's gearing ratio of 28% (31 March 2013: 12%) was based on the bank borrowings of approximately HK\$42,125,000 and the net assets of the Group of approximately HK\$148,623,000. As at 30 September 2013, the Group's liability was approximately HK\$219,607,000, compared to approximately HK\$183,272,000 as at 31 March 2013. It includes account payables and other payables approximately HK\$100,418,000 (31 March 2013: approximately HK\$98,300,000), mainly for the daily operations of our subsidiary — Dong Fang, deferred income approximately HK\$25,059,000 (31 March 2013: approximately HK\$21,812,000) and bank borrowings approximately HK\$42,125,000 (31 March 2013: approximately HK\$18,585,000), 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 1.61:1 (31 March 2013: 1.79:1), 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.

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 2013, the Group's net assets amounted to approximately HK\$148,623,000 compared to approximately HK\$149,281,000 as at 31 March 2013. There are no charges on the Group's assets as at 30 September 2013.

CONTINGENT LIABILITIES

As at 30 September 2013, there were no material contingent liabilities.

EMPLOYEE INFORMATION

As at 30 September 2013, the Group had around 511 employees (2012: around 506 employees). During the Period Under Review, the Group's total staff costs amounted to approximately HK\$35,658,000 (2012: approximately HK\$30,674,000).

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 19,186,248 outstanding options to subscribe for 19,186,248 shares of the Company pursuant to the share option scheme as at 30 September 2013.

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

As at 30 September 2013, 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 <i>(Note 1)</i>	40,322,700	71,654,700	28.86%
Mr. Cheung Ka Heng, Frankie	—	700,000	700,000	0.28%

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\$0.6600	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 2013, 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 2013	Cancelled/ lapsed during the period	At 30 September 2013
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	10,660,000	—	10,660,000
Suppliers/consultants	22 February 2012	22 February 2012 — 21 February 2017	0.4970	5,880,000	—	5,880,000
				<u>19,186,248</u>	<u>—</u>	<u>19,186,248</u>
Weighted average exercise price				<u>HK\$0.8547</u>		<u>HK\$0.8547</u>
Weighted average of remaining contractual life				<u>3.14 years</u>		<u>2.64 years</u>

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2013, so far as known to any Directors or chief executive of the Company, the following interests of which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the issued capital of the Company, or which were recorded in the register of interests required to be kept under Section 336 of the SFO or have notified to the Company were as follows:

Long position in Shares

Substantial Shareholder	Capacity	Number of shareholding		Number of share options held
		Share	Percentage	
Biochem	Beneficial owner	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 2013, 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:

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Currently, the Company does not have a separate Chairman and Chief Executive Officer and Dr. Cheung Yuk Shan, Shirley (“Dr. Cheung”), the founder of the Group, holds both positions. The Board believes that Dr. Cheung can guide discussions and brief the Board in a timely manner on pertinent issues given her solid experience and strong connection in the beauty sector, and that vesting the roles of both Chairman and Chief Executive Officer in her provides the Group with strong and consistent leadership and allows for more effective and efficient planning and execution of long-term business strategies.

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 four Independent Non-Executive Directors, namely Mr. Hong Po Kui, Martin, Mr. Li Kuo Hsing, Ms. Hui Yat Lam and Ms. Chiu Kam Hing, Kathy (appointed on 8 October 2013). The audit committee has reviewed the unaudited financial results of the Group for the three months and six months ended 30 September 2013.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2013.

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

Hong Kong, 5 November 2013

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, Ms. Hui Yat Lam and Ms. Chiu Kam Hing, Kathy.