



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

Interim Report | 2006 |
中期業績報告

Stock Code 股份代號 : 8200

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The Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Sau San Tong Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on the bases and assumptions that are fair and reasonable.

RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 September 2006, together with the comparative figures of the corresponding period in 2005, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Turnover	2	128,929	70,742	255,142	105,523
Cost of sales		(105,169)	(44,741)	(210,200)	(49,472)
Gross profit		23,760	26,001	44,942	56,051
Other revenue		3,071	197	4,711	297
Selling and distribution expenses		(20,931)	(22,754)	(39,101)	(46,279)
General and administrative expenses		(10,722)	(19,630)	(22,167)	(31,453)
Loss from operating activities		(4,822)	(16,186)	(11,615)	(21,384)
Gain on partial disposal of interest in a subsidiary	3	—	—	—	6,004
Finance costs		(165)	—	(275)	—
Loss before taxation	4	(4,987)	(16,186)	(11,890)	(15,380)
Taxation	5	(1,038)	(1,548)	(1,049)	(1,609)
Loss for the period		(6,025)	(17,734)	(12,939)	(16,989)
Attributable to:					
Equity holders of the Company		(7,202)	(19,943)	(16,175)	(19,450)
Minority interests		1,177	2,209	3,236	2,461
		(6,025)	(17,734)	(12,939)	(16,989)
Loss per share	6				
Basic		(1.08) cents	(3.04) cents	(2.43) cents	(2.96) cents
Diluted		N/A	(3.03) cents	N/A	(2.96) cents

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) 30 September 2006 HK\$'000	(Audited) 31 March 2006 HK\$'000
Non-current assets			
Goodwill		177	177
Property, plant and equipment	7	21,950	23,019
Deferred tax assets		366	366
		22,493	23,562
Current assets			
Inventories		9,428	10,158
Prepayments, deposits and other receivables		26,847	17,004
Trade receivables	8	29,813	25,258
Taxation recoverable		1,915	—
Cash and bank balances		17,368	21,005
		85,371	73,425
Current liabilities			
Due to a director		3,379	2,953
Due to minority shareholders		1,993	16,385
Trade payables	9	21,347	15,534
Deferred income		44,132	22,166
Short-term bank loans, unsecured		4,860	—
Other payables and accruals		1,994	3,620
Obligations under finance lease		673	—
Taxation payable		905	642
		79,283	61,300
Net current assets		6,088	12,125
Total assets less current liabilities		28,581	35,687
Non-current liabilities			
Obligations under finance lease		459	—
Net assets		28,122	35,687
Capital and reserves			
Share capital		6,669	6,669
Reserves		7,486	23,687
Equity attributable to equity holders of the Company		14,155	30,356
Minority interests		13,967	5,331
Total equity		28,122	35,687

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)***For the six months ended 30 September 2006*

	Attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Exchange reserve HK\$'000	Share option based reserve HK\$'000	Statutory surplus reserve HK\$'000	Retained earnings/ (Accu- mulated losses) HK\$'000	Total	Minority interests HK\$'000	Total equity HK\$'000
At 1 April 2006	6,669	45,342	(3,652)	(44)	2,219	399	(20,577)	30,356	5,331	35,687
(Loss)/profit for the period	—	—	—	—	—	—	(16,175)	(16,175)	3,236	(12,939)
Exchange adjustments	—	—	—	(21)	—	—	—	(21)	—	(21)
Share issuance expenses	—	(5)	—	—	—	—	—	(5)	—	(5)
Cancellation of share options	—	—	—	—	(157)	—	157	—	—	—
Equity contribution by minority shareholders	—	—	—	—	—	—	—	—	5,400	5,400
At 30 September 2006	6,669	45,337	(3,652)	(65)	2,062	399	(36,595)	14,155	13,967	28,122
As at 1 April 2005	6,569	41,527	(3,652)	12	—	—	46,945	91,401	(42)	91,359
(Loss)/profit for the period	—	—	—	—	—	—	(19,450)	(19,450)	2,461	(16,989)
Equity contribution by minority shareholders	—	—	—	—	—	—	—	—	2,404	2,404
Equity settled share-based transactions	—	—	—	—	1,983	—	—	1,983	—	1,983
Exchange adjustments	—	—	—	(16)	—	—	—	(16)	—	(16)
2004/05 final dividend paid	—	—	—	—	—	—	(7,226)	(7,226)	—	(7,226)
As at 30 September 2005	6,569	41,527	(3,652)	(4)	1,983	—	20,269	66,692	4,823	71,515

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	For the six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(11,441)	16,170
Net cash used in investing activities	(3,564)	(12,627)
Net cash generated from/(used in) financing activities	11,389	(4,816)
Net decrease in cash and cash equivalents	(3,616)	(1,273)
Net cash and cash equivalents as at 1 April	21,005	33,454
Effect of foreign exchange rate changes, net	(21)	16
Cash and cash equivalents as at 30 September	17,368	32,197
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	17,368	32,197

Notes:**1. Basis of preparation and significant accounting policies**

The results have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the GEM Listing Rules. They have been prepared under historical cost convention, except for financial assets and financial liabilities that have been measured at fair value. The principal accounting policies used in the preparation of the results are consistent with those adopted in the preparation of the annual report of the Group for the year ended 31 March 2006.

2. Turnover and segment information

Turnover represents the invoiced value of goods sold, net of discounts and returns, value-added tax and sales tax and the appropriate proportion of contract revenue from beauty and slimming services rendered, net of discounts. The Group is principally engaged in three business segments, including the provision of beauty and slimming services from slimming centres, distribution sales of cosmetic and skin care products and sales of other health and beauty products.

An analysis of the Group's turnover and operating results for the six months ended 30 September 2006 by business segments is as follows:

	For the six months ended 30 September 2006				
	Distribution	Service	Sales of	Elimination	Group
	sales	income	and beauty	products	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover					
External sales	211,573	41,103	2,466	—	255,142
Inter-segment sales	—	—	947	(947)	—
	211,573	41,103	3,413	(947)	255,142
Segment profit/(loss)	1,998	(10,227)	302		(7,927)
Unallocated costs					(8,399)
Other revenue					4,711
Loss from operations					(11,615)
Finance costs					(275)
Loss before taxation					(11,890)
Taxation					(1,049)
Loss for the period					(12,939)

For the six months ended 30 September 2005

	Distribution sales <i>HK\$'000</i>	Service income <i>HK\$'000</i>	Sales of other health and beauty products <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
Turnover					
External sales	40,065	58,219	7,239	—	105,523
Inter-segment sales	—	—	1,683	(1,683)	—
	<u>40,065</u>	<u>58,219</u>	<u>8,922</u>	<u>(1,683)</u>	<u>105,523</u>
Segment profit/(loss)	<u>1,239</u>	<u>(9,351)</u>	<u>(4,736)</u>		<u>(12,848)</u>
Unallocated costs					(8,833)
Other revenue					297
Loss from operations					(21,384)
Gain on partial disposal of interest in a subsidiary					6,004
Loss before taxation					(15,380)
Taxation					(1,609)
Loss for the period					<u>(16,989)</u>

3. Gain on partial disposal of interest in a subsidiary

On 30 May 2005, the Group disposed 49% of the issued share capital of a wholly owned subsidiary to an independent third party at a consideration of HK\$6,000,000. This subsidiary is an investment holding company and has not carried out any business at the time of disposal. The purpose to incorporate this subsidiary is to set up a slimming centre in Hangzhou which has been subsequently started in June 2006.

4. Loss before taxation

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

	For the six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Crediting		
Interest income	35	8
Management fee income	3,000	—
Charging		
Depreciation		
— Owned assets	4,668	4,588
Operating lease rentals		
— Land and buildings	7,521	5,084
Interest expenses on obligation under finance leases	14	—

5. Taxation

No Hong Kong profits tax has been provided for the three months and six months ended 30 September 2006 as the Group did not have any assessable profit (three months and six months ended 30 September 2005: 17.5% on estimated assessable profit). PRC enterprise income tax has been provided at the rate of 33% (three months and six months ended 30 September 2005: 33%) on the estimated assessable profit.

The details of the taxation charge are as follows:

	For the six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Hong Kong profits tax	—	61
PRC enterprise income tax	1,049	1,548
	1,049	1,609

6. Loss per share

The calculation of basic loss per share for the three months and the six months ended 30 September 2006 are based on the unaudited loss attributable to equity holders of the Company of approximately HK\$7,202,000 and HK\$16,175,000 respectively (2005: approximately HK\$19,943,000 and HK\$19,450,000 respectively) and on 666,900,000 shares in issue during the periods (2005: 656,900,000 shares in issue during the periods).

No diluted loss per share for the three months and six months ended 30 September 2006 has been presented as the exercise of the outstanding share option of the Company would result in reducing loss per share. The calculation of diluted loss per share for the three months and six months ended 30 September 2005 is based on the unaudited loss attributable to equity holders of the Company of approximately HK\$19,943,000 and HK\$19,450,000 respectively and on approximately 657,111,000 shares and 657,917,000 shares respectively, being the weighted average number of ordinary shares outstanding during the periods, adjusted for the effects of the share options.

7. Property, plant and equipment

	(Unaudited) 30 September 2006 <i>HK\$'000</i>	(Unaudited) 30 September 2005 <i>HK\$'000</i>
Opening net book amount	23,019	21,435
Additions	3,646	8,455
Disposals	(47)	—
Depreciation	(4,668)	(4,588)
Closing net book amount	21,950	25,302

8. Trade receivables

Credit periods given to customers ranged from 30 to 90 days. The aging analysis of trade receivables, based on invoice date, is as follows:

	(Unaudited) 30 September 2006 <i>HK\$'000</i>	(Audited) 31 March 2006 <i>HK\$'000</i>
0 to 30 days	24,472	23,881
31 to 60 days	3,901	360
61 to 90 days	481	1,145
Over 90 days	1,089	—
Less: Provision for doubtful debts	(130)	(128)
	29,813	25,258

9. Trade payables

Credit periods given by suppliers ranged from 0 to 30 days. The aging analysis of trade payables, based on invoice date, is as follows:

	(Unaudited) 30 September 2006 HK\$'000	(Audited) 31 March 2006 HK\$'000
0 to 30 days	19,840	15,534
31 to 60 days	173	—
61 to 90 days	1,192	—
Over 90 days	142	—
	21,347	15,534

10. Related party transactions

Interest expenses of approximately HK\$120,000 was paid for the amount due to Dr. Cheung Yuk Shan, Shirley, a director of the Company, for the six months ended 30 September 2006 (2005: Nil).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2006 (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS**Business Review**

For the six months ended 30 September 2006 ("the Period Under Review"), turnover amounted to approximately HK\$255,142,000, representing an 142% increase from approximately HK\$105,523,000 in the corresponding period in last year. Such dramatic increase is mainly contributed by Shanghai Dong Fang Ri Hua Sales Co. Ltd. ("Dong Fang"), a subsidiary of the Company since September 2005. Dong Fang is engaged in the distribution of P&G's personal care products in Shanghai and P&G's cosmetic and skin care products, including SKII in the eastern and western part of the People's Republic of China (the "PRC"). Turnover from such distribution business amounted to approximately HK\$211,573,000 during the Period Under Review.

During the Period Under Review, turnover generated from all the slimming centres in Hong Kong and in the PRC amounted to approximately HK\$41,103,000 (2005: approximately HK\$58,219,000). Such decrease is due to the price war in the local market. Nevertheless, there is an dramatic growth in the turnover from PRC slimming centres compared with the corresponding period in last year and the deferred income of the PRC slimming centres amounted to approximately HK\$24,235,000 which will be crystallized as part of turnover of the Group in the coming quarters.

During the Period Under Review, the Group recorded a decrease of approximately HK\$11,109,000 in gross profit and has incurred a loss attributable to equity holders of the Company of approximately HK\$16,175,000 (2005: approximately HK\$19,450,000). Such situation is attributable to the price war as mentioned, together with the continuing expansion in the PRC.

Outlook

Sau San Tong has successfully established a strong foothold in the health and slimming market in both Hong Kong and the PRC. The Group will continue to focus its core business as well as widen its business coverage by leveraging on its reputation in the market and the established network in both Hong Kong and the PRC. The Group has also implemented various cost control measures with the cost savings mainly reflected by the reduced salary of general staff of 25% (excluding Dong Fang which was acquired until September 2005) and the reduced advertising expenses of 47% during the Period Under Review, compared with corresponding period in last year.

Slimming Centres

The Group's expansion pace of slimming centres in the PRC will accelerate and the management is confident that with its first mover advantage, plus the impressive results of the existing PRC slimming centres, together with the escalating level of average income in the PRC, the Group is able to seize a substantial market share in the years to come.

For Hong Kong, being the leading slimming service provider, Sau San Tong is able to withstand the short term set back and continue to be the leader of the industry providing the most quality and professional services to its customers. In fact, the Group introduced an exclusive "Anti-aging program" as well as a range of comprehensive beauty and slimming services so as to widen the spectrum of treatments provided to its customers.

Management Consultation Services

Being the leading slimming services provider, Sau San Tong has accumulated a wealth of experience in the management and operation of slimming 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 slimming centres.

In June 2006, the Group has entered into an agreement under which management consultation services are to be provided for the setting up of a slimming centre in Canada ("Canada Centre"). The Group is pleased to announce that the Canada Centre was open in early October and was the focus of local and Canada media. In general, the service scope of the above agreement includes, scouting of premises, licenses application, legal and financial advises, staff training, management and operation.

Such encouraging start has further strengthened the confidence of the Group in this kind of new business. Besides Canada, the Group also believes that there will be an immense demand for this kind of services in the PRC since the beauty and slimming market there is still under developed with a shortage of expertise. Also, provision of this kind of services command not much overhead costs and thus contributing to a positive revenue growth to the Group.

Health and Beauty Products

During the past years, the Group's ability to introduce innovative and quality products has earned a leading status in the Hong Kong market. This year is not an exception. The Group has cooperated with a famous bakery house in Hong Kong, who have comprehensive retail network, to distribute healthy and low-fat mooncakes during the Mid-Autumn Festival in early October. The Group has implemented strict quality control to ensure the mooncakes are healthy with low-fat and this was subsequently confirmed in a testing by a famous magazine in Hong Kong.

Besides Hong Kong, entrance of the Sau San Tong's products into the PRC is also one of the Group's major goals. The Group is planning the distribution of about 100 health and beauty products to the major cities in the PRC. The progress is satisfactory. With the well-established distribution network in the PRC the Group is able to reap the best result through the effective use of resources. The management believes by leveraging on "Sau San Tong" brand name and the customer confidence built up over the prior years, these health and beauty products will be well received in the market bringing forth an additional revenue stream for the Group.

Distribution Business in the PRC

In mid-September, the SKII brand was being challenged by the PRC authority in the using of chromium and neodymium which can cause skin allergies and other health problems. The effect to the Group is not enormous since the product of Dong Fang is diversified enough in avoiding single product risk. And in fact, the PRC government has subsequently announced that small amounts of such elements will not cause harms to human. Looking forward, as the PRC market continues to boom showing immense potential for P&G products, the management anticipates the revenues generated from the distribution business will experience further growth and in turn provide the Group with stable source of income.

CAPITAL RESOURCES AND LIQUIDITY

Cash and bank balances as at 30 September 2006 were approximately HK\$17,368,000, compared to approximately HK\$21,005,000 as at 31 March 2006. As at 30 September 2006, the Group's liability was approximately HK\$79,742,000, compared to approximately HK\$61,300,000 as at 31 March 2006. The Group's gearing ratio was 42%, based on the total of bank loans and obligations under finance lease over the equity attributable to equity holders of the Company. Liabilities will be generally financed by internal resources of the Group. The Group's bank balance and borrowings are mainly denominated in Hong Kong Dollars and Renminbi and the Group has 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 about 90 days.

CONTINGENT LIABILITIES AND COMMITMENTS

As at 30 September 2006, there were no material contingent liabilities and there were no commitment for the purchase of property, plant and equipment.

EMPLOYEE INFORMATION

As at 30 September 2006, the Group had around 450 employees (2005: over 300 employees). During the Period Under Review, the Group's total staff costs amounted to approximately HK\$21,540,000 (2005: approximately HK\$22,674,000). Despite the increase in the number of PRC subsidiaries, total staff costs has showed a decrease, reflecting the strict cost control implemented by the Group during the Period Under Review.

The Group's remuneration policies are formulated on the basis of the performance and experience of individual employee and are in line with local market practices where the Group operates. In addition to the salary, the Group also offers to its employees other fringe benefits including Mandatory Provident Fund and medical benefits. The Group has a share option scheme whereby qualified participants may be granted options to acquire shares of the Company and there is an aggregate of 38,090,000 outstanding options as at 30 September 2006.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

In June 2006, the Group established a slimming centre in Hangzhou with total investment of HK\$3.5 million. The Group has injected capital of HK\$525,000 up to 30 September 2006 and the remaining will be injected by August 2007 which will be funded by internal resources of the Group.

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

As at 30 September 2006, 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	293,200,000 (Note 1)	81,070,000	374,270,000	56.12%

Note 1: The 293,200,000 Shares were held by Biochem Investments Limited ("Biochem"), a company incorporated in the British Virgin Islands with limited liability. The entire issued share capital of Biochem is wholly owned by Dr. Cheung Yuk Shan, Shirley.

Long position in underlying shares of the Company:

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

Name of Director	Date of grant	Exercisable period	Subscription price per share	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\$0.512	5,000,000	0.75%
Mr. Cheung Ka Heng, Frankie	10 September 2004	10 September 2004 — 3 November 2013	HK\$0.512	5,000,000	0.75%

Note 1: 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 2006, 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 the minimum standard of dealings by Directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, are required to be notified to the Company and the Exchange.

SHARE OPTION SCHEME

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

	Date of grant	Exercisable period	Subscription price per share <i>HK\$</i>	At 1 April 2006	Cancelled/ lapsed during the period	At 30 September 2006
Director						
— Dr. Cheung Yuk Shan, Shirley	10 September 2004	10 September 2004 — 3 November 2013	0.512	5,000,000	—	5,000,000
— Mr. Cheung Ka Heng, Frankie	10 September 2004	10 September 2004 — 3 November 2013	0.512	5,000,000	—	5,000,000
Other Employee	2 September 2004	2 September 2004 — 1 September 2009	0.489	1,000,000	—	1,000,000
Other Employees	5 January 2004	5 January 2004 — 4 January 2009	0.486	5,700,000	(300,000)	5,400,000
Other Employees	20 May 2005	20 May 2005 — 19 May 2010	0.534	1,800,000	(1,000,000)	800,000
Other Employees	6 September 2005	6 September 2005 — 5 September 2010	0.487	12,890,000	—	12,890,000
Other Employees	3 October 2005	3 October 2005 — 2 October 2010	0.400	5,000,000	—	5,000,000
Other Employees	29 March 2006	29 March 2006 — 28 March 2011	0.196	3,000,000	—	3,000,000
				39,390,000	(1,300,000)	38,090,000

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2006, 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		
		Share	Percentage	Number of share options held
Biochem	Beneficial owner	293,200,000	43.96%	—
Dr. Cheung Yuk Shan, Shirley	Beneficial owner	81,070,000	12.16%	5,000,000

Saved as disclosed above, as at 30 September 2006, 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.

COMPETING INTERESTS

None of the Directors or the substantial shareholders or the initial management 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 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 period, except as disclosed in the Annual Report for the year ended 31 March 2006 that Dr. Cheung Yuk Shan, Shirley is both the Chairman and chief executive officer of the Company.

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 Mr. Ho Yiu Ming. The audit committee has reviewed the unaudited results of the Group for the three months and six months ended 30 September 2006.

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 throughout the period.

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 2006.

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

Hong Kong, 10 November 2006

As at the date of this report, the Board comprises Executive Directors namely Dr. Cheung Yuk Shan, Shirley (Chairman), Mr. Cheung Ka Heng, Frankie, Mr. Lee Man Kwong; Independent Non-Executive Directors namely Mr. Hong Po Kui, Martin, Mr. Li Kuo Hsing and Mr. Ho Yiu Ming.

SAU SAN TONG HOLDINGS LIMITED

修身堂控股有限公司

6/F, PRESTIGE TOWER,
23-25 NATHAN ROAD,
TSIMSHATSUI, KOWLOON,
HONG KONG

香港九龍尖沙咀彌敦道
23-25號彩星中心6樓