



SAU SAN TONG HOLDINGS LIMITED

修身堂控股有限公司

Stock Code 股份代號: 8200

Reaching for 達至完美

Excellence



2007 Interim Report
中期業績報告



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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 2007, together with the comparative figures of the corresponding period in 2006, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Turnover	2	113,108	128,929	218,804	255,142
Cost of sales		(84,901)	(105,169)	(162,749)	(210,200)
Gross profit		28,207	23,760	56,055	44,942
Other revenue		972	3,071	3,453	4,711
Selling and distribution expenses		(14,968)	(20,931)	(27,794)	(39,101)
General and administrative expenses		(9,988)	(10,722)	(19,413)	(22,167)
Profit/(loss) from operating activities		4,223	(4,822)	12,301	(11,615)
Finance costs		(121)	(165)	(285)	(275)
Profit/(loss) before taxation	3	4,102	(4,987)	12,016	(11,890)
Taxation	4	(275)	(1,038)	(922)	(1,049)
Profit/(loss) for the period		3,827	(6,025)	11,094	(12,939)
Attributable to:					
Equity holders of the Company		2,441	(7,202)	5,898	(16,175)
Minority interests		1,386	1,177	5,196	3,236
		3,827	(6,025)	11,094	(12,939)
Earnings/(loss) per share	5				
Basic		0.27 cents	(1.08) cents	0.71 cents	(2.43) cents
Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) 30 September 2007 HK\$'000	(Audited) 31 March 2007 HK\$'000
	Notes		
Non-current assets			
Goodwill		250	250
Property, plant and equipment	6	21,079	19,978
		21,329	20,228
Current assets			
Inventories		13,130	15,864
Due from minority shareholders		18,052	10,327
Prepayments, deposits and other receivables		24,511	16,863
Trade receivables	7	24,434	24,678
Pledged bank deposit		10,340	—
Cash and bank balances		57,597	20,533
		148,064	88,265
Current liabilities			
Bank borrowings		15,313	10,110
Due to a director		—	5,585
Trade payables	8	15,816	16,312
Deferred income		23,750	23,415
Other payables and accruals		20,986	22,827
Obligations under finance lease		654	834
Taxation payable		—	3,470
		76,519	82,553
Net current assets		71,545	5,712
Total assets less current liabilities		92,874	25,940
Non-current liabilities			
Obligations under finance lease		60	232
Net assets		92,814	25,708
Capital and reserves			
Share capital		9,599	6,669
Reserves		54,162	2,403
Equity attributable to equity holders of the Company		63,761	9,072
Minority interests		29,053	16,636
Total equity		92,814	25,708

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)***For the six months ended 30 September 2007*

	Attributable to equity holders of the Company										
	Share capital	Share premium	Merger reserve	Exchange reserve	Employee share-based compensation reserve	Statutory surplus reserve	Capital reserve	Retained earnings/ (Accumulated losses)	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2007	6,669	45,342	(3,652)	11	1,757	444	100	(41,599)	9,072	16,636	25,708
Placing of new shares	2,930	47,147	—	—	—	—	—	—	50,077	—	50,077
Share issuance costs	—	(1,564)	—	—	—	—	—	—	(1,564)	—	(1,564)
Profit for the period	—	—	—	—	—	—	—	5,898	5,898	5,196	11,094
Exchange adjustments	—	—	—	278	—	—	—	—	278	—	278
Equity contribution by minority shareholders	—	—	—	—	—	—	—	—	—	7,221	7,221
At 30 September 2007	9,599	90,925	(3,652)	289	1,757	444	100	(35,701)	63,761	29,053	92,814
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 costs	—	(5)	—	—	—	—	—	—	(5)	—	(5)
Share option forfeited	—	—	—	—	(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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	For the six months ended 30 September	
	2007	2006
	HK\$'000	HK\$'000
Net cash used in operating activities	(8,199)	(11,441)
Net cash used in investing activities	(15,375)	(3,564)
Net cash generated from financing activities	60,585	11,389
Net increase/(decrease) in cash and cash equivalents	37,011	(3,616)
Net cash and cash equivalents as at 1 April	20,533	21,005
Effect of foreign exchange rate changes, net	53	(21)
Cash and cash equivalents as at 30 September	57,597	17,368
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	57,597	17,368

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 2007.

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 2007 by business segments is as follows:

	For the six months ended 30 September 2007				
	Distribution sales	Service income	Sales of other health and beauty products	Elimination	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover					
External sales	161,792	56,032	980	—	218,804
Inter-segment sales	—	—	693	(693)	—
	161,792	56,032	1,673	(693)	218,804
Segment profit/(loss)	969	14,064	(731)		14,302
Unallocated costs					(5,454)
Other revenue					3,453
Profit from operations					12,301
Finance costs					(285)
Profit before taxation					12,016
Taxation					(922)
Profit for the period					11,094

For the six months ended 30 September 2006

	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	211,573	41,103	2,466	—	255,142
Inter-segment sales	—	—	947	(947)	—
	<u>211,573</u>	<u>41,103</u>	<u>3,413</u>	<u>(947)</u>	<u>255,142</u>
Segment profit/(loss)	<u>1,998</u>	<u>(10,227)</u>	<u>302</u>		<u>(7,927)</u>
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					<u>(12,939)</u>

3. Profit/(loss) before taxation

Profit/(loss) before taxation is stated after crediting and charging the followings:

	For the six months ended 30 September	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Crediting		
Interest income	48	35
Management and consultancy fee incomes	<u>2,183</u>	<u>3,000</u>
Charging		
Depreciation		
— Owned assets	3,592	4,668
— Leased assets	164	—
Operating lease rentals		
— Land and buildings	7,098	7,521
Interest on bank borrowings	231	—
Finance charges on obligation under finance leases	<u>22</u>	<u>14</u>

4. Taxation

No Hong Kong profits tax has been provided for the three months and six months ended 30 September 2007 as the Group did not have any assessable profit (three months and six months ended 30 September 2006: Nil). PRC enterprise income tax has been provided at the rate of 33% (three months and six months ended 30 September 2006: 33%) on the estimated assessable profit.

The details of the taxation charge are as follows:

	For the six months ended 30 September	
	2007	2006
	HK\$'000	HK\$'000
Hong Kong profits tax	—	—
PRC enterprise income tax	922	1,049
	922	1,049

5. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share for the three months and the six months ended 30 September 2007 are based on the unaudited profit/(loss) attributable to equity holders of the Company of approximately HK\$2,441,000 and HK\$5,898,000 respectively (2006: loss of approximately HK\$7,202,000 and HK\$16,175,000 respectively) and on the weighted average number of approximately 905,973,000 shares and approximately 836,510,000 shares in issue during the respective periods (2006: 666,900,000 shares in issue during the periods).

No diluted earnings/(loss) per share has been presented for the three months and six months ended 30 September 2007 because the exercise price of the Company's share options was higher than the average market price of the shares. 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.

6. Property, plant and equipment

	(Unaudited) 30 September 2007 HK\$'000	(Unaudited) 30 September 2006 HK\$'000
Opening net book amount	19,978	23,019
Exchange adjustments	340	—
Additions	5,083	3,646
Disposals	(566)	(47)
Depreciation	(3,756)	(4,668)
Closing net book amount	21,079	21,950

7. 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 2007 <i>HK\$'000</i>	(Audited) 31 March 2007 <i>HK\$'000</i>
0 to 30 days	17,548	17,323
31 to 60 days	4,885	3,119
61 to 90 days	643	3,880
Over 90 days	1,498	491
Less: Provision for doubtful debts	(140)	(135)
	24,434	24,678

8. 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 2007 <i>HK\$'000</i>	(Audited) 31 March 2007 <i>HK\$'000</i>
0 to 30 days	15,623	14,933
31 to 60 days	128	155
61 to 90 days	—	83
91 to 120 days	65	1,141
	15,816	16,312

9. Related party transactions

Interest expenses of approximately HK\$32,000 was paid for the amount due to Dr. Cheung Yuk Shan, Shirley, a director of the Company, for the six months ended 30 September 2007 (2006: HK\$120,000).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2007 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 September 2007 (the "Period Under Review"), turnover amounted to approximately HK\$218,804,000, representing a 14% decrease from approximately HK\$255,142,000 in the corresponding period in last year. Such decrease was mainly attributable to the SK-II incident (more details in the section "Outlook" below) which adversely affected the turnover of Shanghai Dong Fang Ri Hua Sales Co. Ltd. ("Dong Fang"), a subsidiary of the Company. 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 SK-II in the eastern and western part of the People's Republic of China ("the PRC"). Turnover from such distribution business amounted to approximately HK\$161,792,000 during the Period Under Review (2006: approximately HK\$211,573,000). Such decrease was partly compensated by the improved performance of our slimming centres in both Hong Kong and in the PRC.

During the Period Under Review, turnover generated from all the slimming centres in Hong Kong and in the PRC amounted to approximately HK\$56,032,000 (2006: approximately HK\$41,103,000) representing an increase of 36%. Such increase was mainly contributed by the impressive performance of our beauty and slimming centres in the PRC, together with the opening of our Hangzhou centre in June 2006 and the general rebound in the local market. Such encouraging results once again provided a solid proof of customer's recognition of the Group's brand and quality.

During the Period Under Review, the Group recorded an increase of approximately HK\$11,113,000 in gross profit. In addition to the improved turnover as mentioned above, the increased efficiency together with strict cost control have also contributed to such increase in gross profit.

The Group has generated a profit attributable to equity holders of the Company of approximately HK\$5,898,000, compared with a loss of approximately HK\$16,175,000 in the corresponding period in last year. Such turnaround was crucial as this has proved that the Group's formulated strategy during the Period Under Review and during the last financial year was correct. Such strategies included the exploring of new revenue stream such as management consultant services while adopting vigorous cost control as reflected from the substantial reduction of 23% in selling and administrative expenses for the Period Under Review, compared with the corresponding period in last year.

Outlook

Slimming Centres

For Hong Kong, the Group has been aware of the market misconception that our Group provides only slimming services while in fact, the proportion of non-slimming services have accounted for increasing proportion of the Group's income. In addition to a range of comprehensive beauty and health services and the "Anti-aging program" launch in 2006, the Group has decided to launch the anaplastic injection which directly inject botox tissue filler onto skins instead of conventional surgery which will cause destructive effect on skin structure. Customers can be benefited from having the desired shapes without physical pains and without side effect. With the above-mentioned advantages, the Group is optimistic on this new type of service which in turn will strengthen the profitability of the Group.

For PRC, due to economic boom in the PRC, the citizens there are more affordable and more willing to pay for beauty and health of her own. This benefit the slimming centres in our Group, as shown by our strong performance of our PRC centres. As the Group expects the prosperity in the PRC will continue, the Group is actively seeking opportunities to open new slimming centres in major cities in the PRC. In fact, the Group is in the process of setting up two beauty and spa centres in Beijing, one of them is in the stage of licence application and decoration work and is expected to be opened in the first quarter in 2008 while the other one is in the stage of finalisation of terms and conditions and will soon start the set-up.

Management Consultation Services

Being the leading beauty and slimming services provider, Sau San Tong has accumulated a wealth of experience in the management and operation of beauty and 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 related to the setting up beauty and slimming centres. The service scope in general includes, scouting of premises, licenses application, legal and financial advises, staff training, management and operation.

In view of the successful opening of the beauty and slimming centre in Canada in October 2006 together with the soon opening of a spa and massage centre in Shenzhen and the soon opening of two beauty and slimming centres in Guangdong province, all of which are under the above business model, the Group's confidence in this kind of new business has been further strengthened.

The Group firmly 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. Besides Hong Kong, the Group has embarked the distribution of health and beauty products to certain locations in the PRC with positive market response. 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 continue be well received in the market bringing forth an additional revenue stream for the Group.

Distribution Business in the PRC

In September 2006, the SK-II brand was being challenged by the PRC authority in the using of harmful elements. Despite subsequent clarification, SK-II sales has not restored its performance mainly due to psychological reason of the customers in general. Accordingly, the Group has initiated certain marketing campaign to the SK-II brand since the Group was highly confident on the quality of SK-II brand. Looking forward, as the PRC market continues to boom showing immense potential for P&G products, together with the expected recovery of SK-II sales, the Group anticipates the revenues generated from distribution business will continue to grow and will provide the Group with a stable source of income.

CAPITAL RESOURCES AND LIQUIDITY

Cash and bank balances as at 30 September 2007 were approximately HK\$57,597,000, compared to approximately HK\$20,533,000 as at 31 March 2007. As at 30 September 2007, the Group's liability was approximately HK\$76,579,000, compared to approximately HK\$82,785,000 as at 31 March 2007. The Group's gearing ratio was 24%, 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 are mainly denominated in Hong Kong Dollars and Renminbi while the bank borrowings are denominated in 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 2007, the Company had given a corporate guarantee to a finance company in respect of the finance lease facilities of approximately HK\$1,748,000 granted to a subsidiary. The Company had also given a corporate guarantee in respect of bank borrowings of approximately RMB15,000,000 granted to a subsidiary. There were no commitment for the purchase of property, plant and equipment for the Group.

EMPLOYEE INFORMATION

As at 30 September 2007, the Group had around 422 employees (2006: around 450 employees). During the Period Under Review, the Group's total staff costs amounted to approximately HK\$17,731,000 (2006: approximately HK\$21,540,000). 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 24,690,000 outstanding options as at 30 September 2007.

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

As at 30 September 2007, 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 <i>(Note 1)</i>	100,070,000	393,270,000	40.97%

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	0.52%
Mr. Cheung Ka Heng, Frankie	10 September 2004	10 September 2004 — 3 November 2013	HK\$0.512	5,000,000	0.52%

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 2007, 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 2007	Cancelled/ lapsed during the period	At 30 September 2007
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	5,400,000	(5,400,000)	—
Other Employees	20 May 2005	20 May 2005 — 19 May 2010	0.534	800,000	—	800,000
Other Employees	6 September 2005	6 September 2005 — 5 September 2010	0.487	12,890,000	—	12,890,000
				30,090,000	(5,400,000)	24,690,000

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2007, 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	30.55%	—
Dr. Cheung Yuk Shan, Shirley	Beneficial owner	100,070,000	10.42%	5,000,000

Saved as disclosed above, as at 30 September 2007, 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 2007 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 2007.

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 2007.

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

Hong Kong, 9 November 2007

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