



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 Third Quarterly Report
第三季度業績報告



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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.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

The Board of Directors 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 nine months ended 31 December 2007 together with comparative figures of the corresponding period ended in 2006 as follows:

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Turnover	2	121,304	83,684	340,108	338,826
Cost of sales		(96,474)	(61,715)	(259,223)	(271,915)
Gross profit		24,830	21,969	80,885	66,911
Other revenue	2	1,921	807	5,374	5,518
Selling and distribution expenses		(15,583)	(16,011)	(43,377)	(55,112)
General and administrative expenses		(9,374)	(11,445)	(28,787)	(33,612)
Profit/(loss) from operating activities		1,794	(4,680)	14,095	(16,295)
Finance costs		(246)	(161)	(531)	(436)
Profit/(loss) before taxation		1,548	(4,841)	13,564	(16,731)
Taxation	3	(720)	(2,390)	(1,642)	(3,439)
Profit/(loss) for the period		828	(7,231)	11,922	(20,170)
Attributable to:					
Equity holders of the Company		547	(6,358)	6,445	(22,533)
Minority interests		281	(873)	5,477	2,363
		828	(7,231)	11,922	(20,170)
Earnings/(loss) per share	4				
Basic		0.06 cents	(0.95) cents	0.73 cents	(3.38) cents
Diluted		N/A	N/A	N/A	N/A

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 other revenue

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.

	For the nine months ended 31 December	
	2007	2006
	HK\$'000	HK\$'000
Turnover		
— Provision for beauty and slimming services from slimming centers	80,324	63,350
— Distribution sales of cosmetic and skin care products	258,091	272,328
— Sales of other health and beauty products	1,693	3,148
	340,108	338,826
Other revenue		
Interest income	75	100
Management and consultancy fee income	3,683	3,000
Others	1,616	2,418
	5,374	5,518

3. Taxation

No Hong Kong profits tax has been provided for the three months and nine months ended 31 December 2007 as the Group did not have any assessable profit (three months and nine months ended 31 December 2006: Nil). PRC enterprise income tax has been provided at the rate of 33% (three months and nine months ended 31 December 2006: 33%) on the estimated assessable profit.

The details of the taxation charge are as follows:

	For the nine months ended 31 December	
	2007	2006
	HK\$'000	HK\$'000
Hong Kong profits tax	—	—
PRC enterprise income tax	1,642	3,439
	1,642	3,439

4. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share for the three months and the nine months ended 31 December 2007 are based on the unaudited profit/(loss) attributable to equity holders of the Company of approximately HK\$547,000 and HK\$6,445,000 respectively (2006: loss of approximately HK\$6,358,000 and HK\$22,533,000 respectively) and on the weighted average number of approximately 959,880,000 shares and approximately 877,783,000 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 nine months ended 31 December 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 nine months ended 31 December 2006 has been presented as the exercise of the outstanding share option of the Company would result in reducing loss per share.

5. Condensed consolidated statement of changes in equity (unaudited)

	Attributable to equity holders of the Company										
	Share capital	Share premium	Merger reserve	Exchange reserve	Employee	Statutory surplus reserve	Capital reserve	Retained	Total	Minority interests	Total equity
					share-based compensation reserve			earnings (Accumulated losses)			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As 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	—	—	—	—	—	—	—	6,445	6,445	5,477	11,922
Exchange adjustments	—	—	—	1,852	—	—	—	—	1,852	—	1,852
Equity contribution by minority shareholders	—	—	—	—	—	—	—	—	—	7,221	7,221
At 31 December 2007	9,599	90,925	(3,652)	1,863	1,757	444	100	(35,154)	65,882	29,334	95,216
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	—	—	—	—	—	—	—	(22,533)	(22,533)	2,363	(20,170)
Transfers	—	—	—	—	—	178	—	105	283	(283)	—
Exchange adjustments	—	—	—	(21)	—	—	—	—	(21)	—	(21)
Share issuance expenses	—	(5)	—	—	—	—	—	—	(5)	—	(5)
Cancellation of share options	—	—	—	—	(462)	—	—	462	—	—	—
Equity contribution by minority shareholders	—	—	—	—	—	—	—	—	—	5,400	5,400
At 31 December 2006	6,669	45,337	(3,652)	(65)	1,757	577	—	(42,543)	8,080	12,811	20,891

INTERIM DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 31 December 2007 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the nine months ended 31 December 2007 (the "Period Under Review"), turnover amounted to approximately HK\$340,108,000, representing an 0.38% increase from approximately HK\$338,826,000 in the corresponding period in last year. Such increase was mainly contributed by the impressive performance of our beauty and slimming centres in Hong Kong and in the People's Republic of China ("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, turnover generated from all the slimming centres in Hong Kong and in the PRC amounted to approximately HK\$80,324,000 (2006: approximately HK\$63,350,000).

During the Period Under Review, the Group recorded an increase of approximately HK\$13,974,000 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 profits.

The Group has generated a profit attributable to equity holders of the Company of approximately HK\$6,445,000, compared with a loss of approximately HK\$22,533,000 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 19% 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 injections 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 finalization 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

One of our subsidiary Companies, Shanghai Dong Fang Ri Hua Sales Co. Ltd. ("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 parts of 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.

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

As at 31 December 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 (Note 1)	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 31 December 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 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 31 December 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.

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 two Independent Non- Executive Directors, namely Mr. Hong Po Kui, Martin and Mr. Li Kuo Hsing. The audit committee has reviewed the unaudited results of the Group for the three months and nine months ended 31 December 2007.

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 nine months ended 31 December 2007.

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

Hong Kong, 14 February 2008

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 and Mr. Li Kuo Hsing.

SAU SAN TONG HOLDINGS LIMITED

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