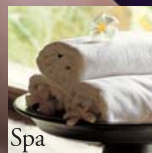
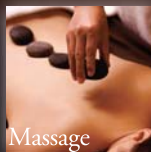


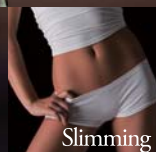
Facial



Spa



Massage



Slimming



SAU SAN TONG HOLDINGS LIMITED

修身堂控股有限公司

Stock Code 股份代號: 8200

**2009** | First Quarterly Report  
第一季度業績報告

## **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.**

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaim 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 ended 30 June 2009 together with comparative figures of the corresponding period ended in 2008 as follows:

	Notes	For the three months ended 30 June	
		2009 HK\$'000	2008 HK\$'000
Turnover	2	<b>107,526</b>	111,089
Cost of sales		<b>(88,767)</b>	(86,148)
Gross profit		<b>18,759</b>	24,941
Other revenue	2	<b>864</b>	3,276
Selling and distribution expenses		<b>(14,149)</b>	(16,192)
General and administrative expenses		<b>(10,182)</b>	(10,005)
(Loss)/profit from operations		<b>(4,708)</b>	2,020
Finance costs		<b>(278)</b>	(435)
Share of profits of jointly controlled entities		<b>414</b>	—
(Loss)/profit before taxation		<b>(4,572)</b>	1,585
Income tax expense	3	<b>(383)</b>	(231)
(Loss)/profit for the period		<b>(4,955)</b>	1,354
Attributable to:			
Equity holders of the Company		<b>(4,701)</b>	1,165
Minority interests		<b>(254)</b>	189
		<b>(4,955)</b>	1,354
(Loss)/earnings per share	4		
Basic, HK cents		<b>(0.49)</b>	0.12
Diluted, HK cents		<b>N/A</b>	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 2009.

## 2. Turnover and other revenue

Turnover represents the invoiced value of goods supplied to customers, net of discounts, returns, value-added tax or other sales tax; and service income from provision of beauty and slimming services, net of discounts.

	For the three months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
<b>Turnover</b>		
Provision of beauty and slimming services	14,851	24,440
Distribution sales of cosmetic and skin care products	92,148	86,091
Sales of other health and beauty products	527	558
	<b>107,526</b>	111,089
<b>Other revenue</b>		
Interest income	8	6
Management and consultancy fee income	188	2,781
Others	668	489
	<b>864</b>	3,276

### 3. Income tax expense

No Hong Kong profits tax has been provided for the three months ended 30 June 2009 as the Group did not have any assessable profit (three months ended 30 June 2008: Nil). PRC enterprise income tax has been provided at the rate of 25% (three months ended 30 June 2008: 25%) on the estimated assessable profit.

The details of the taxation charge are as follows:

	For the three months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Hong Kong profits tax	—	—
PRC enterprise income tax	383	231
Deferred taxation	—	—
	<b>383</b>	231

### 4. (Loss)/earnings per share

The calculation of basic loss per share for the three months ended 30 June 2009 is based on the unaudited loss attributable to equity holders of the Company for the three months ended 30 June 2009 of approximately HK\$4,701,000 (three months ended 30 June 2008: profit of approximately HK\$1,165,000) and on the weighted average number of 959,880,000 shares (three months ended 30 June 2008: on the weighted average number of 959,880,000 shares).

No diluted (loss)/earnings per share has been presented for the three months ended 30 June 2009 and the three months ended 30 June 2008 because the exercise price of the Company's share options was higher than the average market price for shares for both periods.

## 5. Condensed consolidated statement of changes in equity

	Attributable to equity holders of the Company										
	Share capital	Share premium	Merger reserve	Exchange reserve	Share-based payment reserve	The PRC statutory surplus reserve	Capital reserve	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 2009	9,599	90,926	(3,637)	4,293	3,315	784	—	(74,172)	31,108	23,878	54,986
Loss for the period	—	—	—	—	—	—	—	(4,701)	(4,701)	(254)	(4,955)
Exchange adjustments	—	—	—	(2)	—	—	—	—	(2)	—	(2)
At 30 June 2009	9,599	90,926	(3,637)	4,291	3,315	784	—	(78,873)	(26,405)	23,624	50,029
At 1 April 2008	9,599	90,926	(3,637)	675	3,315	784	—	(43,521)	58,141	28,858	86,999
Profit for the period	—	—	—	—	—	—	—	1,165	1,165	189	1,354
Exchange adjustments	—	—	—	(397)	—	—	—	—	(397)	—	(397)
At 30 June 2008	9,599	90,926	(3,637)	278	3,315	784	—	(42,356)	58,909	29,047	87,956

## 6. Contingent liability in respect of a legal claim

In March 2009, a customer instigated a legal proceeding against a subsidiary, as 51% owned by the Group, for non-performance of a sale contract by that subsidiary and claimed for the recovery of full payment of the goods plus interest payment and the associated legal costs incurred by the customer totalling RMB1,090,000 (equivalent to approximately HK\$1,238,000).

At date of approval of these financial statements, the result of the legal proceeding is not yet known. Based on legal advice from the Group's counsel, the directors believe that this claim has no merits and, accordingly, no provision for such claim have been made in these financial statements as at 30 June 2009.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2009 (2008: Nil).

## POST BALANCE SHEET EVENTS

On 21 July 2009, the Company entered into an underwriting agreement which was varied and supplemented by a supplemental agreement dated 30 July 2009 in respect of the Open Offer. The Company proposed to raise not less than approximately HK\$48.0 million but not more than approximately HK\$49.0 million before expenses, by way of the Open Offer of not less than 4,799,400,000 Offer Shares but not more than 4,897,850,000 Offer Shares at a price of HK\$0.01 per Offer Share on the basis of five (5) Offer Shares for every one (1) Share held. Further details of the transactions have been disclosed on the announcements of the Company dated 23 July 2009 and 30 July 2009, and the circular of the Company dated 14 August 2009.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the three months ended 30 June 2009 (“the Period Under Review”), turnover amounted to approximately HK\$107,526,000, representing a slightly decrease of 3.2% from approximately HK\$111,089,000 in the corresponding period in last year. Such decrease was mainly due to the drop of sales of our beauty, slimming and spa centres in both Hong Kong and the People’s Republic of China (the “PRC”) under the extreme business environment. However, due to the contribution from distribution sales by Shanghai Dong Fang Ri Hua Sales Co. Ltd. (“Dong Fang”) has a satisfactory growth, the adverse impacts to the Group’s turnover has been significantly compensated. During the Period Under Review, turnover from such distribution business amounted to approximately HK\$92,148,000 (2008: approximately HK\$86,091,000).

During the Period Under Review, the price war in local market as well as the adverse impacts of extreme business environment started to affect the retail and services industry, including the slimming and beauty industry. For the three months ended 30 June 2009, turnover generated from all the beauty, slimming and spa centres in Hong Kong and in the PRC amounted to approximately HK\$14,851,000 (2008: approximately HK\$24,440,000).

During the Period Under Review, the Group recorded a decrease of approximately HK\$6,182,000 in gross profit and has generated a loss attributable to equity holders of the Company of approximately HK\$4,701,000, compared with a profit of approximately HK\$1,165,000 in the corresponding period in last year. Such downturn is attributable to the price war and the adverse impact of extreme business environment as mentioned, together with the investments on the Group’s expansion in the PRC.

## **Outlook**

### ***Beauty, Slimming and Spa Centres***

For Hong Kong, the Group providing not only slimming services but also a variety of non-slimming services. In addition to a range of comprehensive beauty and health services and the successfully launch of “Lipolaser Slimming treatment” and “Gold Facial” in the past, the Group foresee the mainstream trend of cosmetological technology as the way in beauty and skincare, we will continuously seek for and draw the newest and most innovative way of cosmetology treatment. The Group has launched a most innovative technological cosmetic treatment, the Cell Regeneration Program. It uses the PhytoCellTec™ technology to abstract the precious Phyto Stem cells from a rare species of plants from high altitude, revise your skin age for a youthful visage. Moreover, we have also launched the “M.Nano Cavitation slimming treatment”, “Placenta Cell renewal facial treatment” and “HA+ Hyaluronic Moisture treatment”, and which are highly appreciated by our customers. 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 and the more awareness of health, the citizens there are more affordable and more willing to pay for beauty and health of her own. This benefits our beauty, slimming and spa centres, as shown by our strong performance of our PRC beauty, slimming and spa centres. As the Group expects the prosperity in the PRC will continue, the Group is actively seeking opportunities to open new beauty, slimming and spa centres in major cities in the PRC and the distribution of beauty products in order to capture the untapped market.

### ***Management Consultation Services***

Being the leading beauty and slimming services provider, our Group has accumulated a wealth of experience in the management and operation of beauty, slimming and spa centres as well as high caliber professionals from the industry. In order to capitalize its existing resources, the Group has embarked the provision of management consultation services for the setting up beauty and slimming centres.

Recently, our Group partnered New World Group and Sinolink Group to develop clubhouses and spa beauty centres for luxury estates in PRC. Benefit from their years of experience in real estate market and our reputation in beauty and slimming industry, it will become a new stream of income in future.

The Group is confident 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 is planning the distribution of health and beauty products to the major cities in the PRC, with satisfactory progress. 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***

Apart from provision of slimming and beauty services, another major line of business is product distribution. We distribute mainly P&G personal care, cosmetic and skin care products, such as SK-II, Olay, etc. and also Gillette Men series and Philips Lighting products. With the Group's great effort, the sales of SK-II and Olay are very encouraging. Besides, we also distribute certain world famous brands of prestige fragrances, such as, Dunhill, BOSS, Gucci, ESCADA, etc. We believe that with the increasing variety of products, it will bring sizeable revenue for the Group in near future. Looking forward, as the PRC market continues to boom showing immense potential for high-end products, the management anticipates the revenues generated from the distribution business will experience further growth and will in turn provide the Group with stable source of income.

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

As at 30 June 2009, 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	149,200,000 (Note 1)	100,070,000	249,270,000	25.97%

*Note 1:* The 149,200,000 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 June 2009, 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 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.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES**

As at 30 June 2009, 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**

<b>Substantial Shareholder</b>	<b>Capacity</b>	<b>Number of shareholding</b>		<b>Number of share options held</b>
		<b>Share</b>	<b>Percentage</b>	
Biochem	Beneficial owner	149,200,000	15.54%	—
Dr. Cheung Yuk Shan, Shirley	Beneficial owner	100,070,000	10.43%	5,000,000
GEM Hero Investments Limited	Beneficial owner	144,000,000	15.00%	—

Save as disclosed above, as at 30 June 2009, no person, other than the Directors of the Company and the chief executive of the Group whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Position in Shares" above, had registered an interest or short position in the share capital, underlying shares and debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed under the heading "Directors and Chief Executive's Interests and Short Positions in Shares" above, at no time during the Period under Review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## **COMPETING INTERESTS**

None of the Directors or substantial shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) has any interest in a business which compete or might compete with the business of the Group.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has established a formal and transparent procedure to protect the interests of the shareholders of the Company. The Company applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the Quarter, except that:

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Dr. Cheung Yuk Shan, Shirley is both the Chairman and chief executive officer of the Company. The Board is of the view that it is in the best interests of the Group to have Dr. Cheung, who is the founder of the Group with vast and solid experience in the beauty sector, to perform the dual role so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is most capable to guide discussions and brief the Board in a timely manner on pertinent issues. With Dr. Cheung being the chief executive officer, the Group can also benefit from having strong connection and network in the beauty market.

## **AUDIT COMMITTEE**

The Group has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The audit committee comprises three Independent Non-Executive Directors, namely Mr. Hong Po Kui, Martin, Mr. Li Kuo Hsing and Ms. Hui Yat Lam. The audit committee has reviewed the unaudited financial results of the Group for the three months ended 30 June 2009.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

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

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the three months ended 30 June 2009.

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

Hong Kong, 14 August 2009

*As at the date of this report, the Board comprises Executive Directors namely Dr. Cheung Yuk Shan, Shirley (Chairman), Mr. Cheung Ka Heng, Frankie; Independent Non-Executive Directors namely Mr. Hong Po Kui, Martin, Mr. Li Kuo Hsing and Ms. Hui Yat Lam.*

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

12/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12樓