



2011

Interim Report
中期業績報告



修身堂控股有限公司
SAU SAN TONG HOLDINGS LIMITED
Stock Code 股份代號: 8200

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This 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 or deceptive; (2) there are no other matters the omission of which would make any statement herein or in this report misleading.

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 2011, together with the comparative figures of the corresponding period in 2010, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	For the three months ended		For the six months ended	
		30 September		30 September	
		2011	2010	2011	2010
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	240,583	138,939	447,897	268,364
Cost of sales		(191,703)	(118,375)	(354,633)	(227,436)
Gross profit		48,880	20,564	93,264	40,928
Other revenue		92	1,489	595	2,761
Selling and distribution expenses		(18,652)	(15,844)	(35,451)	(31,578)
General and administrative expenses		(17,552)	(10,163)	(31,685)	(19,465)
Profit/(loss) from operations		12,768	(3,954)	26,723	(7,354)
Finance costs		(206)	(174)	(391)	(347)
Share of (losses)/profits of jointly controlled entities		(10)	(4)	(381)	239
Profit/(loss) before taxation	3	12,552	(4,132)	25,951	(7,462)
Income tax expense	4	(1,387)	(448)	(2,115)	(885)
Profit/(loss) for the period		11,165	(4,580)	23,836	(8,347)
Attributable to:					
Owners of the Company		9,331	(4,813)	20,410	(8,615)
Non-controlling interests		1,834	233	3,426	268
		11,165	(4,580)	23,836	(8,347)
Profit/(loss) per share	5				
Basic, HK cents		3.76	(1.62)	8.22	(2.90)
Diluted, HK cents		3.08	N/A	6.75	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	For the three months ended 30 September		For the six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Profit/(loss) for the period	11,165	(4,580)	23,836	(8,347)
Other comprehensive income for the period:				
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	149	1	454	(1)
Total comprehensive profit/(loss) for the period	11,314	(4,579)	24,290	(8,348)
Attributable to:				
Owners of the Company	9,477	(4,812)	20,861	(8,616)
Non-controlling interests	1,837	233	3,429	268
Total comprehensive profit/(loss) for the period	11,314	(4,579)	24,290	(8,348)

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) 30 September 2011 HK\$'000	(Audited) 31 March 2011 HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	6	26,081	28,450
Goodwill		250	250
Interests in jointly controlled entities		4,728	5,109
		31,059	33,809
Current assets			
Inventories		11,659	14,556
Trade receivables	7	107,563	70,580
Prepayments, deposits and other receivables		43,029	22,507
Amount due from related parties		9,685	9,524
Cash and bank balances		80,790	76,386
		252,726	193,553
Current liabilities			
Bank loans, secured		14,248	8,311
Trade payables	8	34,533	30,568
Other payables and accrued charges		24,226	19,279
Amount due to a director		714	478
Amount due to jointly controlled entities		2,853	2,996
Amount due to related parties		7,386	6,507
Deferred income		40,464	24,152
Current taxation		538	538
		124,962	92,829
Net current assets		127,764	100,724
Total assets less current liabilities		158,823	134,533
Non-current liabilities			
Convertible notes		19,142	19,142
Deferred tax liabilities		3,985	3,985
		23,127	23,127
Net assets		135,696	111,406
Capital and reserves			
Share capital		2,483	2,483
Reserves		110,152	89,291
Total equity attributable to owners of the Company		112,635	91,774
Non-controlling interests		23,061	19,632
Total equity		135,696	111,406

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2011

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Exchange reserve HK\$'000	Share-based payment reserve HK\$'000	Convertible notes reserve HK\$'000	The PRC statutory surplus reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2011	2,483	160,072	(3,637)	5,533	9,337	1,315	1,744	(85,073)	91,774	19,632	111,406
Change in equity for the period:											
Total comprehensive profit for the period	-	-	-	451	-	-	-	20,410	20,861	3,429	24,290
At 30 September 2011	2,483	160,072	(3,637)	5,984	9,337	1,315	1,744	(64,663)	112,635	23,061	135,696
At 1 April 2010	59,513	90,626	(3,637)	4,293	3,173	-	784	(98,987)	55,765	20,013	75,778
Change in equity for the period:											
Total comprehensive loss for the period	-	-	-	(1)	-	-	-	(8,615)	(8,616)	268	(8,348)
At 30 September 2010	59,513	90,626	(3,637)	4,292	3,173	-	784	(107,602)	47,149	20,281	67,430

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	For the six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
Net cash generated from/(used in)		
operating activities	177	(9,795)
Net cash used in investing activities	(1,992)	(230)
Net cash generated from/(used in)		
financing activities	5,937	(428)
Increase/(decrease) in cash and cash equivalents	4,122	(10,453)
Cash and cash equivalents as at 1 April	76,386	33,875
Effect of foreign exchange rate changes	282	(17)
Cash and cash equivalents as at 30 September	80,790	23,405
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	80,790	23,405

Notes:

1. Basis of preparation and significant accounting policies

The results have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, which collective term include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations and Accounting Guidelines issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and also comply with the applicable disclosure provisions of The Rules Governing the Listing of Securities on the GEM of the Stock Exchange. They have been prepared under historical cost convention, except for financial assets and financial liabilities that have been measured at fair value. The principal accounting policies used in the preparation of the results are consistent with those adopted in the preparation of the annual report of the Group for the year ended 31 March 2011.

2. Turnover and segment information

Turnover represents the invoiced value of goods supplied to customers, net of discounts, returns, value-added tax and other sales tax; and service income from provision of beauty and slimming services, net of discounts and franchise fees income. The principal activities of the Group are the distribution sale of cosmetic and skin care products, provision of beauty and slimming services and sale of other health and beauty products.

An analysis of the Group's turnover and operating results for the six months ended 30 September 2011 by business segments is as follows:

	For the six months ended 30 September 2011				Group HK\$'000
	Distribution sale of cosmetic and skin products HK\$'000	Provision of beauty and slimming service HK\$'000	Franchise operations HK\$'000	Sales of other health and beauty products HK\$'000	
Reportable segment revenue from external customers	355,139	55,924	36,040	794	447,897
Reportable segment results	6,405	10,058	12,830	246	29,539
Unallocated corporate expenses					(3,411)
Unallocated corporate other revenue					595
Profit from operations					26,723
Finance costs					(391)
Share of loss of jointly controlled entities					(381)
Profit before taxation					25,951
Income tax expense					(2,115)
Profit for the period					23,836

	For the six months ended 30 September 2010				Group HK\$'000
	Distribution sale of cosmetic and skin products HK\$'000	Provision of beauty and slimming services HK\$'000	Franchise operations HK\$'000	Sales of other health and beauty products HK\$'000	
Reportable segment revenue from external customers	236,116	31,102	—	1,146	268,364
Reportable segment results	3,353	(9,680)	—	(187)	(6,514)
Unallocated corporate expenses					(3,601)
Unallocated corporate other revenue					2,761
Loss from operations					(7,354)
Finance costs					(347)
Share of profits of jointly controlled entities					239
Loss before taxation					(7,462)
Income tax expense					(885)
Loss for the period					(8,347)

3. Profit/(loss) before taxation

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

	For the six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000
Crediting		
Interest income	62	17
Charging		
Depreciation on Property, plant and equipment	4,533	2,805
Operating lease rentals		
— Land and buildings	9,480	9,554
Interest on bank borrowings	391	333
Finance charges on obligation under finance leases	—	13

4. Income tax expense

No provision for Hong Kong Profits Tax is made for the three months and six months ended 30 September 2011 as the Companies in the Group either have sustained tax losses or no assessable profit for Hong Kong Profits Tax purpose (three months and six months ended 30 September 2010: Nil). Taxation for subsidiaries outside Hong Kong is charged at the appropriate rate of taxation rating in relevant tax jurisdictions.

The details of the taxation charge are as follows:

	For the six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000
Hong Kong profits tax	—	—
PRC enterprise income tax	2,115	885
	<hr/>	<hr/>
	2,115	885

5. Profit/(loss) per share

The calculation of basic profit/(loss) per share for the three months and the six months ended 30 September 2011 are based on the unaudited profit attributable to owners of the Company of approximately HK\$9,331,000 and HK\$20,410,000 respectively (2010: loss of approximately HK\$4,813,000 and HK\$8,615,000 respectively) and on the weighted average number of approximately 248,293,750 shares in issue during the respective periods (2010: approximately 297,562,500 shares in issue during the respective periods).

The calculation of diluted earnings per share for the three months and six months ended 30 September 2011 is based on the unaudited profit attributable to owners of the Company for the three months and six months ended 30 September 2011 of approximately HK\$9,331,000 and HK\$20,410,000 respectively and on 302,549,998 shares, being the weighted average number of ordinary shares outstanding during the respective periods, adjusted for the effects of the convertible notes and the share options during the periods.

No diluted loss per share for the three months and six months ended 30 September 2010 have been presented as the assumed exercise of the outstanding share options has anti-dilutive effect.

6. Property, plant and equipment

	(Unaudited) 30 September 2011 HK\$'000	(Unaudited) 30 September 2010 HK\$'000
Opening net book amount	28,450	21,177
Exchange adjustments	172	16
Additions	1,992	5,925
Disposals	—	(61)
Depreciation	(4,533)	(2,805)
Closing net book amount	<u>26,081</u>	<u>24,252</u>

7. Trade receivables

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

	(Unaudited) 30 September 2011 HK\$'000	(Audited) 31 March 2011 HK\$'000
Current	107,563	70,580
Less than 1 month past due	—	—
1 to 2 months past due	—	—
More than 2 month but less than 12 months past due	—	—
Amounts past due	—	—
	<u>107,563</u>	<u>70,580</u>

Trade receivables are due within 30 to 90 days from the date of billing.

8. Trade payables

The ageing analysis of trade payables as of the balance sheet date is as follows:

	(Unaudited) 30 September 2011 HK\$'000	(Audited) 31 March 2011 HK\$'000
Due within 1 month or on demand	34,533	30,568

9. Related party transactions

No interest was paid for the amount due to Dr. Cheung Yuk Shan, Shirley, a director of the Company, for the six months ended 30 September 2011 (2010: Nil).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 September 2011 (“the Period Under Review”), turnover amounted to approximately HK\$447,897,000, representing a significant increase of 67% from approximately HK\$268,364,000 in the corresponding period in last year. Such increase was mainly due to the remarkable growth in the distribution sales of our Shanghai Dong Fang Ri Hua Sales Co. Ltd. (“Dong Fang”). During the Period Under Review, turnover from the distribution business amounted to approximately HK\$355,139,000 (2010: approximately HK\$236,116,000).

During the Period Under Review, even though the rivalry in the slimming and beauty industry is so intense, during the Period Under Review, the Group still can manage to sustain the revenue performance of all the slimming centres in both Hong Kong and in the People’s Republic of China (the “PRC”). During the Period Under Review, the turnover generated from all the beauty, slimming and spa centres in Hong Kong and in the PRC amounted to approximately HK\$56,718,000 (2010: approximately HK\$32,248,000). During the Period Under Review, the franchise co-operation business contributed HK\$36,040,000 turnover to the Group (2010: HK\$Nil).

During the Period Under Review, the Group recorded an increase of approximately HK\$52,336,000 in gross profit and has generated profit attributable to owners of the Company of approximately HK\$20,410,000, compared with a loss of approximately HK\$8,615,000 in the corresponding period in last year. As mentioned before, the competition and the business environment of the slimming and beauty market is drastic and extreme, in order to maintain our competitive edge, the Group strengthened its existing policy of exercising tight control over all its costs, and reducing these whenever possible.

Outlook

Beauty, Slimming and Spa Centres

In 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 “Lipo Fat Diminishing Treatment” and “PRP Plasmatic Derma-Revive Treatment” as well as certain other innovative treatments in last year, the Group continues to explore the new cosmetological technology. This year, the Group also focuses on launching a new series of anti-aging treatment in addition to the research and development of new slimming and beauty treatment. The Group foresees the anti-aging treatment will be another highly praised beauty treatment following the medical cosmetology treatments. The Group wishes to provide satisfactory services to extensive customers through these kind of treatments.

China's vast slimming and beauty market is growing fast. The female population aged between 15 and 64 in China currently exceeds 470 million, which is larger than the combined total of Europe, the US and Japan. As income levels continue to rise, mainland female consumers' demands for high-end slimming and beauty services is bound to increase further. Besides, government supervision of the beauty sector is expected to tighten, further squeezing the low-end operators out of the market. The Group entered into PRC market long time ago, we built up our prestige brand, opened deluxe beauty, slimming and spa centres in major cities and developed the strong distribution sales network. All these moves proven our long-term vision and strategy are on the right track. The Group keeps on seeking opportunities to open new beauty, slimming and spa centres in potential 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 capitalise its existing resources, the Group has embarked the provision of management consultation services for the setting up beauty and slimming and spa centres.

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

The Group's ability of introducing innovative and quality products has been proven in the past and earned a leading status in Hong Kong market. The management believes by leveraging on "Sau San Tong" brand name and the customer confidence built up over the years, these health and beauty products will be well received in the market. In 2010, with the introduction of the Consultant, more than 100 points of sales of the Group's products in the PRC have been located. The Group is confident that with such list of potential customers, the products sales business line will be another major stream of business of 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, as well as 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 and sizeable source of income.

Franchise Co-operation Business in the PRC

Since when the Group tapped in the PRC market in 2004, the Group was undoubtedly believed that the PRC market is so vast and full of opportunities. In order to grab the market share and to build up the brand rapidly, we believe that franchising co-operation model should be the best way. A few years ago, the Group attempted the franchise co-operation business with internal available resources. However, due to the lack of allocated resources and expertise, the performance is still thankless even after years of effort. We learnt a precious lesson.

In June 2010, the Group appointed the Consultant to promote, develop and expand the Group's franchise co-operation business in the PRC. The Consultant is well-experienced in PRC franchise co-operation business, after a few months preparation, the results start to come out. Although the franchise co-operation business still in its infant stage, the pace of development is very encouraging. During the Period Under Review, the performance is satisfactory, contribution to the Group's turnover reaches over HK\$36 million. Such impressive results showing the brand image of the Group is highly reputed and the Group's vision is correct, and giving the Group more confidence to develop the franchise co-operation business and to invest more resources into it.

CAPITAL RESOURCES AND LIQUIDITY

Cash and bank balances as at 30 September 2011 were approximately HK\$80,790,000 compared to approximately HK\$76,386,000 as at 31 March 2011. The Group's gearing ratio of 10% (31 March 2011: 7%) was based on the bank borrowings of approximately HK\$14,248,000 and the net assets of the Group of approximately HK\$135,696,000. As at 30 September 2011, the Group's liability was approximately HK\$148,089,000, compared to approximately HK\$115,956,000 as at 31 March 2011. It includes account payables and other payables approximately HK\$58,759,000 (31 March 2011: approximately HK\$49,847,000), mainly for the daily operations of our subsidiary — Dong Fang, deferred income approximately HK\$40,464,000 (31 March 2011: approximately HK\$24,152,000) and bank borrowings approximately HK\$14,248,000 (31 March 2011: approximately HK\$8,311,000), bank borrowings is also for Dong Fang trading activities. Such liability is intended to be financed by internal resources of the Group. The liquidity ratio of the Group represented by a ratio of current assets over current liabilities was 2.02:1 (31 March 2011: 2.08:1), reflecting the adequacy of financial resources. Since the Group's assets and liabilities, revenue and payments are mainly denominated in Hong Kong Dollars and Renminbi, the Group considers that there was no significant exposure to foreign exchange fluctuations.

CONVERTIBLE NOTE AND UNLISTED WARRANTS

Pursuant to the subscription agreement entered into between the Company and Dr. Cheung Yuk Shan, Shirley and an ordinary resolution passed at the EGM, the Company issued a convertible note in the principal amount of HK\$20,000,000 to Dr. Cheung Yuk Shan, Shirley on 5 November 2010.

The Convertible Note is with 2% interest rate per annum and is due in 2 years from the date of issue and convertible into ordinary shares at an initial conversion price of HK\$0.50 per conversion share, subject to adjustments. Up to the date of this report, the Convertible Note has not yet been converted.

Pursuant to the consultancy agreement entered into between the Company and the consultant on 24 June 2010 (the "Consultancy Agreement"), and an ordinary resolution passed at the EGM, upon completing the requirements stated in the Consultancy Agreement, the Company agrees to issue unlisted warrants to the consultant for the financial years of 2011/12 and 2012/13. Up to the date of this report, no unlisted warrants have been issued to the consultant.

TREASURY POLICY

The Group adopts a conservative approach towards its treasury policies. The Group evaluates the financial condition of its customers regularly so as to reduce the credit risk. The average outstanding days of the Group's accounts receivable was maintained at below 90 days. To manage liquidity risk, the Group closely monitors the Group's liquidity position to ensure the liquidity structure of the Group's assets, liabilities and commitments and to ensure that the Group can meet its funding requirements. The Group has no investments in derivatives, bonds or structured financial products.

NET ASSETS

As at 30 September 2011, the Group's net assets amounted to approximately HK\$135,696,000 compared to approximately HK\$111,406,000 as at 31 March 2011. There are no charges on the Group's assets as at 30 September 2011.

CONTINGENT LIABILITIES

As at 30 September 2011, there were no material contingent liabilities.

EMPLOYEE INFORMATION

As at 30 September 2011, the Group had around 465 employees (2010: around 480 employees). During the Period Under Review, the Group's total staff costs amounted to approximately HK\$28,453,000 (2010: approximately HK\$19,154,000).

The Group's remuneration policies are formulated on the basis of the performance and experience of individual employee and are in line with local market practices where the Group operates. In addition to the salary, the Group also offers to its employees other fringe benefits including Mandatory Provident Fund and medical benefits. The Group has a share option scheme whereby qualified participants may be granted options to acquire shares of the Company. There is an aggregate of 14,256,248 outstanding options to subscribe for 14,256,248 shares of the Company pursuant to the share option scheme as at 30 September 2011.

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

As at 30 September 2011, the interests or short positions of the Directors and the chief executive of the Company or their respective associates in shares and underlying shares (the "Shares") of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and/or short positions which they are deemed or taken to have under such provisions of the SFO, or which will be required, pursuant to section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long position in shares of the Company:

Name of Director	Number of shares			Approximate Percentage of Interest in the Company's Issued share capital
	Corporate Interests	Personal Interests	Total	
Dr. Cheung Yuk Shan, Shirley	31,332,000 (Note 1)	40,322,700	71,654,700	28.86%

Note 1: The 31,332,000 Shares were held by Biochem Investments Limited ("Biochem"), a company incorporated in the British Virgin Islands with limited liability. The entire issued share capital of Biochem is wholly owned by Dr. Cheung Yuk Shan, Shirley.

Long position in underlying shares of the Company

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 interest in the Company's issued share capital
Dr. Cheung Yuk Shan, Shirley	10 September 2004	10 September 2004 – 3 November 2013	HK\$7.9226	323,124	0.13%
Mr. Cheung Ka Heng, Frankie	10 September 2004	10 September 2004 – 3 November 2013	HK\$7.9226	323,124	0.13%
Mr. Cheung Ka Heng, Frankie	2 March 2011	2 March 2011 – 1 March 2016	HK\$0.66	2,000,000	0.81%

Note: The above interest constitutes a long position of the Director in a physically settled equity derivative for the purpose of the SFO.

Save as disclosed above, as at 30 September 2011, 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.

SHARE OPTION SCHEME

	Date of grant	Exercisable period	Subscription price per share HK\$	At 1 April 2011	Cancelled/lapsed during the period	At 30 September 2011
Directors	10 September 2004	10 September 2004 – 3 November 2013	7.9226	646,248	–	646,248
	2 March 2011	2 March 2011 – 1 March 2016	0.6600	2,000,000	–	2,000,000
Employees	2 March 2011	2 March 2011 – 1 March 2016	0.6600	11,610,000	–	11,610,000
				<u>14,256,248</u>	<u>–</u>	<u>14,256,248</u>
				<u>HK\$0.9892</u>		<u>HK\$0.9892</u>
				<u>4.82 years</u>		<u>4.32 years</u>

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2011, so far as known to any Directors or chief executive of the Company, the following interests of which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the issued capital of the Company, or which were recorded in the register of interests required to be kept under Section 336 of the SFO or have notified to the Company were as follows:

Long position in Shares

Substantial shareholder	Capacity	Number of shareholding		Number of share options held
		Share	Percentage	
Biochem	Beneficial owner	31,332,000	12.62%	–
Dr. Cheung Yuk Shan, Shirley	Beneficial owner	40,322,700	16.24%	323,124

Save as disclosed above, as at 30 September 2011, 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 and six months ended 30 September 2011.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2011.

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

Hong Kong, 8 November 2011

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

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