SAU SAN TONG HOLDINGS LIMITED
修身堂控股有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8200)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2011

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.

This announcement, 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 announcement 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 announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at www.sausantong.com.

* *for identification purpose only*

The Board of Directors (the "Board") of Sau San Tong Holdings Limited (the "Company") presents the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2011, together with the comparative audited figures for the year ended 31 March 2010, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2011

	Note	**2011**	2010
		HK$'000	*HK$'000*
Turnover	*2*	**627,537**	470,725
Cost of sales		**(536,634)**	(389,006)
Gross profit		**90,903**	81,719
Other revenue	*3*	**137**	2,254
Other net income/(loss)	*3*	**1,043**	(83)
Selling and distribution costs		**(67,066)**	(61,211)
General and administrative expenses		**(68,727)**	(50,957)
Loss from operations		**(43,710)**	(28,278)
Finance costs	*4*	**(1,337)**	(1,248)
Share of (losses)/profits of jointly controlled entities		**(483)**	2,858
Loss before taxation	*4*	**(45,530)**	(26,668)
Income tax expense	*5*	**(2,503)**	(2,154)
Loss for the year		**(48,033)**	(28,822)
Attributable to:			
Owners of the Company		**(46,098)**	(24,957)
Non-controlling interests		**(1,935)**	(3,865)
Loss for the year		**(48,033)**	(28,822)
		HK cents	*HK cents*
Loss per share	*7*		
Basic and diluted		**(49.12)**	(30.90)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	2011	2010
	HK$'000	*HK$'000*
Loss for the year	**(48,033)**	(28,822)
Other comprehensive income for the year:		
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	**2,794**	—
Total comprehensive loss for the year	**(45,239)**	(28,822)
Attributable to:		
Owners of the Company	**(44,858)**	(24,957)
Non-controlling interests	**(381)**	(3,865)
Total comprehensive loss for the year	**(45,239)**	(28,822)

CONSOLIDATED BALANCE SHEET
At 31 March 2011

	Note	**2011** **HK$'000**	2010 HK$'000
Non-current assets			
Property, plant and equipment		**28,450**	21,177
Goodwill		**250**	250
Interests in jointly controlled entities		**5,109**	5,592
		33,809	27,019
Current assets			
Inventories		**14,556**	7,308
Trade receivables	*9*	**70,580**	43,187
Prepayments, deposits and other receivables		**22,507**	20,697
Amounts due from related parties		**9,524**	16,478
Cash and cash equivalents		**76,386**	39,553
		193,553	127,223
Current liabilities			
Bank loans		**8,311**	13,626
Trade payables	*10*	**30,568**	19,191
Other payables and accrued charges		**19,279**	10,059
Amount due to a director		**478**	14,306
Amounts due to jointly controlled entities		**2,996**	2,890
Amounts due to related parties		**6,507**	887
Deferred income		**24,152**	12,941
Obligations under finance leases		**—**	791
Current taxation		**538**	393
		92,829	75,084
Net current assets		**100,724**	52,139
Total assets less current liabilities		**134,533**	79,158
Non-current liabilities			
Convertible notes		**19,142**	—
Deferred tax liabilities		**3,985**	3,380
		23,127	3,380
NET ASSETS		**111,406**	75,778
CAPITAL AND RESERVES			
Share capital		**2,483**	59,513
Reserves		**89,291**	(3,748)
Total equity attributable to owners of the Company		**91,774**	55,765
Non-controlling interests		**19,632**	20,013
TOTAL EQUITY		**111,406**	75,778

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

	Attributable to owners of the Company											
	Share capital	Share premium	Merger reserve	Capital reduction reserve	Exchange reserve	Share-based payment reserve	Convertible notes reserve	The PRC statutory surplus reserve	Acc-umulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2009	9,599	90,926	(3,637)	—	4,293	3,315	—	784	(74,172)	31,108	23,878	54,986
Changes in equity for 2010:												
Issues of shares	49,914	1,920	—	—	—	—	—	—	—	51,834	—	51,834
Share issue expenses	—	(2,220)	—	—	—	—	—	—	—	(2,220)	—	(2,220)
Cancellation of share options	—	—	—	—	—	(142)	—	—	142	—	—	—
Total comprehensive loss for the year	—	—	—	—	—	—	—	—	(24,957)	(24,957)	(3,865)	(28,822)
At 31 March 2010	59,513	90,626	(3,637)	—	4,293	3,173	—	784	(98,987)	55,765	20,013	75,778
At 1 April 2010	59,513	90,626	(3,637)	—	4,293	3,173	—	784	(98,987)	55,765	20,013	75,778
Changes in equity for 2011:												
Capital reduction	(59,215)	—	—	59,215	—	—	—	—	—	—	—	—
Transfer to set off accumulated losses upon capital reduction	—	—	—	(59,215)	—	—	—	—	59,215	—	—	—
Issues of shares	1,785	51,776	—	—	—	—	—	—	—	53,561	—	53,561
Share issue expenses	—	(1,556)	—	—	—	—	—	—	—	(1,556)	—	(1,556)
Equity-settled share-based transactions	—	—	—	—	—	7,921	—	—	—	7,921	—	7,921
Cancellation of share options	—	—	—	—	—	(1,757)	—	—	1,757	—	—	—
Issues of convertible notes	—	—	—	—	—	—	2,675	—	—	2,675	—	2,675
Conversion of convertible notes into shares	400	19,226	—	—	—	—	(1,360)	—	—	18,266	—	18,266
Appropriation to the PRC statutory surplus reserve	—	—	—	—	—	—	—	960	(960)	—	—	—
Total comprehensive loss for the year	—	—	—	—	1,240	—	—	—	(46,098)	(44,858)	(381)	(45,239)
At 31 March 2011	2,483	160,072	(3,637)	—	5,533	9,337	1,315	1,744	(85,073)	91,774	19,632	111,406

Notes:

1. **Basis of preparation**

The consolidated financial statements for year ended 31 March 2011 comprise the Company and its subsidiaries (together the "Group"), and the Group's interests in jointly controlled entities.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued certain new and revised Hong Kong Financial Reporting Standard ("HKFRSs") that are first effective or available for early adoption for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the consolidated financial statements:

— HKFRS 3 (revised), Business combinations

— HKAS 27 (revised), Consolidated and separate financial statements

— Improvements to HKFRSs (2009)

— HK Interpretation 5, Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause

These developments have resulted certain changes in accounting policies but none of these changes have had significant impact on these consolidated financial statements for the years presented.

HKFRS 3 (revised) introduces a number of changes in the accounting for business combinations occurring since 1 April 2010. Changes affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that a business combination occurs, and the future reported results.

HKAS 27 (revised) requires any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests (previously known as "minority interests") in proportion to their interests in that entity, even if this results in a deficit balance within the consolidated equity being attributable to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under binding obligation to make good the losses. Furthermore, HKAS 27 (revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a transaction will have no impact on goodwill, nor will it gives rise to a gain or loss. The revised standard also changes the accounting for the loss of control of a subsidiary. If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interests retained by the Group being recognised at fair value as if reacquired. In accordance with the transitional provisions in HKAS 27 (revised), these changes in new accounting policy have been applied prospectively from 1 April 2010.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2. Turnover

Turnover represents the invoiced value of goods supplied to customers, net of discounts, returns, value added tax or other sales taxes; service income from provision of beauty and slimming services, net of discounts and franchise fees income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2011	2010
	HK$'000	*HK$'000*
Distribution sale of cosmetic and skin care products	**556,302**	403,222
Provision of beauty and slimming services	**64,621**	66,349
Franchise fees income	**2,779**	—
Sale of other health and beauty products	**3,835**	1,154
	627,537	470,725

Segment information are set out in note 8 to this results announcement.

3. Other revenue and net income/(loss)

	2011	2010
	HK$'000	*HK$'000*
Other revenue		
Management and consultancy fee income	—	1,276
Interest income	**81**	194
Others	**56**	784
	137	2,254
Other net income/(loss)		
Subsidy income from the PRC government	**951**	908
Compensation received from landlord on early termination of an operating lease of property	—	2,494
Reversal of impairment loss on trade receivables	—	233
Net foreign exchange loss	**(325)**	(1,804)
Net gain/(loss) on disposal of property, plant and equipment	**42**	(1,665)
Others	**375**	(249)
	1,043	(83)

4. Loss before taxation

Loss before taxation is arrived after charging:

	2011 *HK$'000*	2010 *HK$'000*
(a) Finance costs:		
Interest on bank loans	**740**	1,181
Interest on convertible notes	**583**	—
Finance charges on obligations under finance leases	**14**	67
	1,337	1,248
(b) Other items:		
Staff costs	**59,686**	47,123
Cost of inventories sold and services provided*	**536,634**	389,006
Auditor's remuneration	**916**	823
Depreciation on property, plant and equipment	**8,835**	10,836
Provision for impairment losses on		
— trade receivables	**150**	—
— other receivables	**5,739**	4,309
— deposits paid	**2,453**	994
— amounts due from related parties	**—**	4,083
Write-off of other receivables	**228**	1,013
Operating lease rentals: minimum lease payments		
— property and display locations rentals	**20,924**	20,556
— other equipment	**88**	78

* Cost of inventories sold and services provided includes HK$2,114,000 (2010: HK$2,218,000) relating to staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

5. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	2011	2010
	HK$'000	*HK$'000*
Current tax — PRC Enterprise Income Tax		
Provision for the year	**2,068**	1,480
(Over)/under-provision in respect of prior years	**(4)**	66
	2,064	1,546
Deferred tax		
Origination and reversal of temporary differences	**439**	608
Income tax expense	**2,503**	2,154

No provision for Hong Kong Profits Tax is made for 2011 (2010: HK$Nil) as the companies in the Group either have sustained tax losses or have no assessable profits for Hong Kong Profits Tax purposes. Taxation for subsidiaries outside Hong Kong is charged at the appropriate rate of taxation ruling in relevant tax jurisdictions.

6. Dividend

The Directors do not recommend the payment of a dividend for the year ended 31 March 2011 (2010: HK$Nil).

7. Loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK$46,098,000 (2010: HK$24,957,000) and the weighted average number of ordinary shares of approximately 93,838,000 shares (2010: 80,775,000 shares) in issue during the year.

The weighted average number of shares for the purposes of calculating the basic loss per share has been retrospectively adjusted for both years for the ten-to-one share consolidation which took place on 2 November 2010 and the rights issue on 3 December 2010.

No diluted loss per share has been presented for the years ended 31 March 2011 and 2010 since the effect of the outstanding share options and convertible notes as at 31 March 2011 and 2010 is anti-dilutive.

8. Segment information

(a) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's Executive Directors for the purposes of resource allocation and assessment of segment performance for the year is set out below.

	Distribution sale of cosmetic and skin care products		Provision of beauty and slimming services		Franchise operations		Sale of other health and beauty products		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue from external customers	**556,302**	403,222	**64,621**	66,349	**3,351**	—	**3,263**	1,154	**627,537**	470,725
Reportable segment results	**6,231**	6,419	**(23,197)**	(24,739)	**(7,301)**	—	**(1,828)**	(1,436)	**(26,095)**	(19,756)
Unallocated corporate expenses									**(17,695)**	(9,890)
Unallocated corporate other revenue									**80**	1,368
Loss from operations									**(43,710)**	(28,278)
Finance costs									**(1,337)**	(1,248)
Share of (losses)/profits of jointly controlled entities									**(483)**	2,858
Loss before taxation									**(45,530)**	(26,668)
Taxation									**(2,503)**	(2,154)
Loss after taxation									**(48,033)**	(28,822)
Provision for impairment losses on										
— Trade receivables	**150**	—	**—**	—	**—**	—	**—**	—	**150**	—
— Deposits paid	**—**	—	**—**	—	**—**	—	**2,096**	636	**2,096**	636
— Amounts due from related parties	**—**	—	**—**	4,083	**—**	—	**—**	—	**—**	4,083
Reversal of impairment loss on trade receivables	**—**	(233)	**—**	—	**—**	—	**—**	—	**—**	(233)
Write-off of other receivables	**—**	—	**30**	221	**—**	—	**—**	—	**30**	221
Depreciation	**2,407**	1,893	**6,324**	8,926	**55**	—	**25**	17	**8,811**	10,836
Segment assets										
— Property, plant and equipment	**5,402**	4,867	**19,037**	15,764	**1,213**	—	**41**	67	**25,693**	20,698
— Interests in jointly controlled entities	**—**	—	**5,109**	5,592	**—**	—	**—**	—	**5,109**	5,592
— Other assets	**96,572**	74,880	**31,490**	26,971	**13,852**	—	**1,329**	3,441	**143,243**	105,292
Unallocated corporate assets									**53,317**	22,660
Total assets									**227,362**	154,242
Segment liabilities	**(49,577)**	(34,172)	**(32,584)**	(26,677)	**(9,422)**	—	**(690)**	(590)	**(92,273)**	(61,439)
Unallocated corporate liabilities									**(23,683)**	(17,025)
Total liabilities									**(115,956)**	(78,464)
Additions to segment non-current assets	**2,780**	3,655	**8,915**	3,496	**1,239**	—	**—**	53	**12,934**	7,204

(b) ***Geographical information***

The Group's revenue from external customers and information about its non-current assets by geographical locations are as follows:

	The PRC		Hong Kong		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**587,093**	432,772	**40,444**	37,953	**627,537**	470,725
Non-current assets	**21,033**	21,017	**12,776**	6,002	**33,809**	27,019

(c) ***Major customers***

No customer accounted for 10% or more of the total revenue for the years ended 31 March 2011 and 2010.

9. Trade receivables

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**71,190**	43,647
Less: allowance for doubtful debts	**(610)**	(460)
	70,580	43,187

The following is an ageing analysis of trade receivables (net of allowance for doubtful debts):

	2011	2010
	HK$'000	*HK$'000*
Current	**70,580**	39,736
Less than 1 month past due	—	3,320
1 to 2 months past due	—	6
More than 2 months but less than 12 months past due	—	125
Amounts past due	—	3,451
	70,580	43,187

Management has a credit policy in place and the exposure to the credit risk is monitored on an ongoing basis. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

10. Trade payables

Included in trade payables are trade creditors with the following ageing analysis as of the balance sheet date:

	2011	2010
	HK$'000	*HK$'000*
Due within 1 month or on demand	**30,568**	19,191

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 March 2011 ("the Year Under Review"), turnover amounted to approximately HK$627,537,000, representing an increase of 33% from approximately HK$470,725,000 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 Year Under Review, turnover from the distribution business amounted to approximately HK$556,302,000 (2010: approximately HK$403,222,000). On the other hand, even though the rivalry in the slimming and beauty industry is so intense, during the Year 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 Year Under Review the turnover generated from all the beauty, slimming and spa centres in Hong Kong and in the PRC amounted to approximately HK$64,621,000 (2010: approximately HK$66,349,000). During the Year Under Review, the new franchise business contributed HK$3,351,000 turnover to the Group (2010: HK$Nil).

During the Year Under Review, the Group recorded an increase of approximately HK$9,184,000 in gross profit. The Group has incurred a loss attributable to owners of the Company of approximately HK$46,098,000 (2010: approximately HK$24,957,000). As mentioned before, the competition and the business environment of the slimming and beauty industry 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 wherever possible. During the Year Under Review, the administrative expenses amount to HK$68,727,000 (2010: approximately HK$50,957,000). During the year, the Group granted 13,610,000 share options to eligible participants, share option expenses of HK$7,921,000 are incurred. Apart from the above non-cash flow expenses and the investment in pre-operating expenses of franchise operations of $7,442,000, the administrative expenses is approximately HK$53,364,000, which is HK$2,407,000 increase from that of last year. Notwithstanding of the significant increase in turnover, the administrative expenses are comparable to that of last year.

By refreshing change and diversification of business, Sau San Tong is continued to be the leader of the industry providing the most quality and professional services to its customers.

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 capitalize its existing resources, the Group has embarked the provision of management consultation services for the setting up beauty, 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. During the Year Under Review, 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 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 model should be the best way. A few years ago, the Group attempted the franchise 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 business in the PRC. The Consultant is well-experienced in PRC franchise business, after a few months preparation, the results start to come out. Although the franchise business still in its infant stage, the pace of development is very encouraging. Up to 31 March 2011, with only a few months of time, 60 potential franchisees coming from 40 different cities in PRC have signed the letter of intent with the Group, and almost half of them have already signed the official franchise agreements and paid the 1st installment of 30% franchise fee amounting to HK$3,350,000. 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 business and to invest more resources into it.

Outlook

Looking ahead, although the economy in Mainland China is expected to grow steadily and the Hong Kong's economy is recovering, there are still hidden uncertainties in the overall global economy, the Euro-zone crisis, the coming inflation crisis, etc. Any of these events can easily threaten the fragile economy. Besides, during the year, local banks further tightened their credit policy towards beauty and slimming industry induce the closing down of some second tier beauty and slimming services providers and indirectly compound the market risks and pressures. Although the bumpy external operating environment may affect the performance of the Group, the Group will keep on monitoring and controlling the operating costs and cash flows, creating synergy among different business segments, enhancing brand awareness and exploring new business opportunities to ride through it.

Capital Structure, Liquidity and Financial Resources

Cash and bank balances as at 31 March 2011 were approximately HK$76,386,000 compared to approximately HK$39,553,000 as at 31 March 2010. The Group's gearing ratio of 7% (2010: 19%) was based on the total of bank borrowings of approximately HK$8,311,000 (2010: approximately HK$13,626,000) and obligations under finance leases of HK$Nil (2010: approximately HJK$791,000) and the net assets of the Group of approximately HK$111,406,000 (2010: approximately HK$75,778,000). As at 31 March 2011, the Group's liability was approximately HK$115,956,000, compared to approximately HK$78,464,000 as at 31 March 2010. It includes account payables and other payables approximately HK$49,847,000 (2010: approximately HK$29,250,000), mainly for the daily operations of our subsidiary — Dong Fang, deferred income approximately HK$24,152,000 (2010: approximately HK$12,941,000) and bank borrowings approximately HK$8,311,000 (2010: approximately HK$13,626,000), 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 2.08:1 (2010: 1.69:1), reflecting the adequacy of financial resources.

On 3 December 2010, the Company completed a right issues on the basis of six rights shares for every share held on the record date. The Company issued 178,537,500 rights shares of HK$0.01 each under the rights issue raising net proceeds of approximately HK$52 million (net of expenses of approximately HK$1.5 million). The net proceeds are intended to be used for expanding the existing PRC operations, opening new slimming and beauty centres in the PRC, expanding the Group's product distribution network in the PRC and as general working capital of the Group in order to enrich and diversify its business, bringing better returns to the Shareholders.

Capital Reorganisation and Change of Board Lot Size

By an special resolution passed at the extraordinary general meeting on 18 August 2010 (the "EGM"), the Capital Reorganisation comprising the Share Consolidation, the Capital Reduction and the Increase in Authorised Capital has been approved.

With the approval from shareholders of the Company, every ten then issued ordinary shares of HK$0.20 each were consolidated into one consolidated ordinary share of HK$2.0 each. Following the share consolidation became effective on 2 November 2010, the issued share capital of the Company were reduced by cancelling the paid-up capital to the extent of HK$1.99 on each issued consolidated share and the entire amount of the authorised but unissued share capital was cancelled.

After the capital reduction was effective, a credit of approximately HK$59,215,000 was arisen and which has been transferred to the distributable capital reduction reserve account of the Company, which was then applied to set-off the accumulated losses of the Company.

Following the share consolidation and the capital reduction, the authorised share capital of the Company was increased to HK$10,000,000 divided into 1,000,000,000 ordinary shares of HK$0.01 each.

After the Capital Reorganisation became effective, the board lot size for trading in the shares was changed from 10,000 shares to 4,000 adjusted shares.

Details of the Capital Reorganization and Change of Board Lot Size were set out in the Company's announcement dated 6 July 2010 and the circular dated 26 July 2010.

Convertible Bonds 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 ("Subscription Convertible Note") on 5 November 2010.

Besides, pursuant to the placing agreement entered into between the Company and the placing agent on 5 July 2010 and an ordinary resolution passed at the EGM, the Company issued convertible notes in the principal amount of HK$20,000,000 ("Placing Convertible Notes") on 14 January 2011.

Both the Subscription Convertible Note and Placing Convertible Notes are with 2% interest rate per annum and are 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.

On 25 January 2011 and 25 February 2011, Placing Convertible Notes in the principal amounts of HK$12,000,000 and HK$8,000,000 respectively were converted into 24,000,000 and 16,000,000 ordinary shares respectively. Up to the date of this announcement, the Subscription Convertible Note has not yet been converted while the Placing Convertible Notes have been fully 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. During the Year Under Review, no unlisted warrants have been issued to the consultant. Details of the issue of unlisted warrants under a consultancy agreement were set out in the Company's announcement dated 6 July 2010 and the circular dated 26 July 2010.

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.

Foreign Exchange Exposure

Since the Group's assets and liabilities, revenue and payments are mainly denominated in Hong Kong Dollars and Renminbi, the Groups considers that there was no significant exposure to foreign exchange fluctuations.

Net Assets

As at 31 March 2011, the Group's net assets amounted to approximately HK$111,406,000 compared to approximately HK$75,778,000 as at 31 March 2010. There are no charges on the Group's assets as at 31 March 2011.

Contingent Liabilities

At 31 March 2011, the Group and the Company had no material contingent liabilities.

At 31 March 2010, the Company has issued a corporate guarantee of RMB15,000,000 (equivalent to approximately HK$17,033,000) to a bank in respect of banking facilities granted to a subsidiary as 51% owned by the Group. None of these facilities were utilised by that subsidiary at 31 March 2010.

Employee Information

As at 31 March 2011, the Group had 462 employees (2010: around 477 employees). During the year, the Group's total staff costs amounted to approximately HK$59,686,000 (2010: approximately HK$47,123,000), including a share option expense amounted to approximately HK$7,921,000 (2010: HK$Nil).

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 salary, the Group also offers to its employees other fringe benefits including 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, under the terms and conditions stipulated therein, as incentives or rewards for their contributions to the Group. During the Year Under Review, the Company granted further 13,610,000 share options under the share option scheme to eligible participants, including employees, professional advisors and a director of the Company to subscribe for shares in the Company. Together with the share options issued during the year, 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 31 March 2011.

Significant Investments and Acquisitions

There were no significant acquisitions and disposals of investments by the Group during the Year Under Review.

Future Plan

Going forward, in addition to the continual improvement of the operation performance of the existing beauty, slimming and spa centres. Besides, the Group will invest more resources on franchise business and beauty product distribution business in order to enrich and diversify our business, bringing profits to our shareholders.

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

As at 31 March 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:

	Number of shares			Approximate percentage of interest in the Company's issued share capital
Name of directors	**Corporate interests**	**Personal interests**	**Total**	
Dr. Cheung Yuk Shan, Shirley	31,332,000 *(Note 1)*	21,014,700	52,346,700	21.08%

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 ("Dr. Cheung").

Long position in underlying shares of the Company:

Share Option Scheme

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 *(Note 2)*	323,124 *(Note 2)*	0.13%
Mr. Cheung Ka Heng, Frankie	10 September 2004	10 September 2004 — 3 November 2013	HK$7.9226 *(Note 2)*	323,124 *(Note 2)*	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 1:

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

Note 2:

As a result of the completions of capital reorganisation and rights issue of the Company on 2 November 2010 and 3 December 2010, the number of share options and the subscription prices have been adjusted in accordance with the requirements of Rule 23.03(13) of the GEM Listing Rules and the supplementary guidance issued by The Stock Exchange of Hong Kong Limited on 5 September 2005.

Save as disclosed above, as at 31 March 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 March 2011, 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:

		Number of shareholding		
Substantial shareholder	**Capacity**	**Share**	**Percentage**	**Number of share options held**
Biochem	Beneficial owner	31,332,000	12.62%	—
Dr. Cheung Yuk Shan, Shirley	Beneficial owner	21,014,700	8.46%	323,124

Saved as disclosed above, as at 31 March 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, has 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 year 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 year, 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.

Full details in respect of the compliance with Appendix 15 and 16 of the GEM Listing Rule in the form of a "Corporate Governance Report" will be included in the annual report for the year ended 31 March 2011.

AUDIT COMMITTEE

The Group has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. Details of the role and work performed by the committee are set out in "Corporate Governance Report" in the annual report. The audit committee has reviewed the annual financial results of the Group for the year ended 31 March 2011.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Director on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. 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 year.

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

Hong Kong, 23 June 2011

As at the date of this announcement, 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.