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 2013

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") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2013, together with the comparative audited figures for the year ended 31 March 2012, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Turnover	2	**1,141,662**	1,039,785
Cost of sales		**(974,098)**	(861,630)
Gross profit		**167,564**	178,155
Other revenue	3	**3,272**	276
Other net income	3	**1,414**	6,511
Selling and distribution costs		**(83,863)**	(79,062)
General and administrative expenses		**(71,829)**	(69,429)
Profit from operations		**16,558**	36,451
Finance costs	4	**(1,798)**	(2,008)
Share of profit/(losses) of jointly controlled entities		**668**	(76)
Profit before taxation	4	**15,428**	34,367
Income tax expense	5	**(7,870)**	(7,847)
Profit for the year		**7,558**	26,520
Attributable to:			
Owners of the Company		**6,177**	24,126
Non-controlling interests		**1,381**	2,394
Profit for the year		**7,558**	26,520
		HK cents	*HK cents*
Earnings per share			
Basic and diluted	7	**2.49**	9.72

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	2013	2012
	HK$'000	*HK$'000*
Profit for the year	**7,558**	26,520
Other comprehensive income for the year:		
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	**571**	2,496
Total comprehensive income for the year	**8,129**	29,016
Attributable to:		
Owners of the Company	**6,478**	25,266
Non-controlling interests	**1,651**	3,750
Total comprehensive income for the year	**8,129**	29,016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment		**27,842**	23,001
Intangible assets		**8,386**	—
Goodwill		**320**	250
Interests in jointly controlled entities		**5,704**	5,039
		42,252	28,290
Current assets			
Inventories		**13,169**	12,795
Trade receivables	*9*	**132,153**	90,732
Prepayments, deposits and other receivables		**62,093**	32,134
Amounts due from related parties		**9,278**	9,803
Current tax recoverable		**62**	—
Cash and cash equivalents		**73,546**	110,028
		290,301	255,492
Current liabilities			
Bank loans		**18,585**	14,760
Trade payables	*10*	**52,927**	33,628
Other payables and accrued charges		**45,373**	26,305
Amount due to a director		**20,714**	273
Amounts due to jointly controlled entities		**19**	3,590
Amounts due to related parties		**1,392**	6,463
Deferred income		**21,812**	27,956
Convertible notes		**—**	20,168
Current tax payable		**1,613**	2,676
		162,435	135,819
Net current assets		**127,866**	119,673
Total assets less current liabilities		**170,118**	147,963
Non-current liabilities			
Other long-term liability		**16,444**	—
Deferred tax liabilities		**4,393**	5,593
		20,837	5,593
NET ASSETS		**149,281**	142,370
CAPITAL AND RESERVES			
Share capital		**2,483**	2,483
Reserves		**123,031**	116,505
Total equity attributable to owners of the Company		**125,514**	118,988
Non-controlling interests		**23,767**	23,382
TOTAL EQUITY		**149,281**	142,370

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

	Attributable to owners of the Company											
	Share capital	Share premium	Merger reserve	Exchange reserve	Share-based payment reserve	Convertible notes reserve	The PRC statutory surplus reserve	Other reserve	Accumulated 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 2011	2,483	160,072	(3,637)	5,533	9,337	1,315	1,744	–	(85,073)	91,774	19,632	111,406
Changes in equity for 2012:												
Profit for the year	–	–	–	–	–	–	–	–	24,126	24,126	2,394	26,520
Other comprehensive income	–	–	–	1,140	–	–	–	–	–	1,140	1,356	2,496
Total comprehensive income for the year	–	–	–	1,140	–	–	–	–	24,126	25,266	3,750	29,016
Equity-settled share-based transactions	–	–	–	–	1,948	–	–	–	–	1,948	–	1,948
Cancellation of share options	–	–	–	–	(489)	–	–	–	489	–	–	–
Appropriation to the PRC statutory surplus reserve	–	–	–	–	–	–	924	–	(924)	–	–	–
At 31 March 2012	2,483	160,072	(3,637)	6,673	10,796	1,315	2,668	–	(61,382)	118,988	23,382	142,370
At 1 April 2012	2,483	160,072	(3,637)	6,673	10,796	1,315	2,668	–	(61,382)	118,988	23,382	142,370
Changes in equity for 2013:												
Profit for the year	–	–	–	–	–	–	–	–	6,177	6,177	1,381	7,558
Other comprehensive income	–	–	–	301	–	–	–	–	–	301	270	571
Total comprehensive income for the year	–	–	–	301	–	–	–	–	6,177	6,478	1,651	8,129
Cancellation of share options	–	–	–	–	(64)	–	–	–	64	–	–	–
Redemption of convertible notes	–	–	–	–	–	(1,315)	–	–	1,315	–	–	–
Appropriation to the PRC statutory surplus reserve	–	–	–	–	–	–	1,795	–	(1,795)	–	–	–
Partial disposal of equity interests in a subsidiary	–	–	–	–	–	–	–	16,492	–	16,492	3,508	20,000
Issue of written put option	–	–	–	–	–	–	–	(16,444)	–	(16,444)	–	(16,444)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(4,774)	(4,774)
At 31 March 2013	2,483	160,072	(3,637)	6,974	10,732	–	4,463	48	(55,621)	125,514	23,767	149,281

Notes:

1. Basis of preparation

The consolidated financial statements for year ended 31 March 2013 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 a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") which are not yet effective for the year ended 31 March 2013. The adoption of these amendments to HKFRSs did not result in significant changes to the Group's accounting policies applied in these financial statements for the years presented.

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:

	2013	2012
	HK$'000	*HK$'000*
Distribution sale of cosmetic and skin care products	**1,008,752**	870,007
Provision of beauty and slimming services	**96,681**	108,386
Provision of franchise services	**8,389**	12,208
Sale of health, beauty and related products	**27,840**	49,184
	1,141,662	1,039,785

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

3. Other revenue and net income

	2013	2012
	HK$'000	*HK$'000*
Other revenue		
Management fee income	**2,970**	—
Interest income	**257**	246
Others	**45**	30
	3,272	276
Other net income		
Subsidy income from the PRC government	**1,148**	1,279
Net gain/(loss) on disposal of property, plant and equipment	**127**	(24)
Net foreign exchange loss	**(330)**	(162)
Over-provision of operating lease rentals in respect of prior years	**—**	5,024
Reversal of impairment loss on trade receivables	**—**	117
Others	**469**	277
	1,414	6,511

4. Profit before taxation

Profit before taxation is arrived after charging:

	2013	2012
	HK$'000	*HK$'000*
(a) Finance costs:		
Interest on bank loans	**1,166**	982
Interest on convertible notes	**632**	1,026
	1,798	2,008
(b) Other items:		
Staff costs	**73,354**	68,251
Cost of inventories sold and services provided*	**974,098**	861,630
Auditor's remuneration	**1,245**	1,086
Amortisation of intangible assets	**686**	—
Depreciation of property, plant and equipment	**9,037**	9,226
Equity-settled share-based payment expenses for consultants and suppliers	**—**	1,948
Provision for impairment losses on		
— trade receivables	**60**	9
— other receivables	**310**	—
Write-off of other receivables	**—**	197
Operating lease rentals: minimum lease payments		
— property and display location rentals	**24,511**	19,275
— other equipment	**1**	58

* Cost of inventories sold and services provided includes HK$1,806,000 (2012: HK$1,809,000) 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:

	2013	2012
	HK$'000	*HK$'000*
Current tax — PRC Enterprise Income Tax		
Provision for the year	**9,104**	6,396
Deferred tax		
(Reversal)/origination of temporary differences	**(1,234)**	1,451
Income tax expense	**7,870**	7,847

No provision for Hong Kong Profits Tax is made for 2013 (2012: 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 overseas subsidiaries is charged at the appropriate current rates of taxation ruling in relevant tax countries.

Under the PRC tax law, profits of the Group's subsidiaries in the PRC derived since 1 January 2008 is subject to withholding income tax at rates of 5% or 10% upon the distribution of such profits to foreign investors or companies incorporated in Hong Kong or for other foreign investors, respectively. Pursuant to the grandfathering arrangements of the PRC tax law, dividends receivable by the Group from PRC subsidiaries in respect of the undistributed profits derived prior to 31 December 2007 are exempt from the withholding income tax.

At 31 March 2013, no deferred tax liabilities have been recognised in respect of tax that would be payable on the unremitted profits of the PRC subsidiaries derived since 1 January 2008 as the Company is in a position to control the dividend policies of the PRC subsidiaries and no distribution of such profits is expected to be declared from the PRC subsidiaries in the foreseeable future.

6. Dividend

The Directors do not recommend the payment of a dividend for the year ended 31 March 2013 (2012: HK$Nil).

7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK$6,177,000 (2012: HK$24,126,000) and the weighted average number of ordinary shares of approximately 248,294,000 shares (2012: 248,294,000 shares) in issue during the year.

The diluted earnings per share for the years ended 31 March 2013 and 2012 is the same as the basic earnings per share as the assumed exercise of the outstanding share options and convertible notes has anti-dilutive effect.

8. Segment reporting

(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 health, beauty and related products		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	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	**1,008,752**	870,007	**96,681**	108,386	**34,986**	58,414	**1,243**	2,978	**1,141,662**	1,039,785
Reportable segment results	**23,059**	11,992	**(1,614)**	18,404	**(271)**	12,561	**(577)**	(667)	**20,597**	42,290
Unallocated corporate expenses									**(4,086)**	(5,856)
Unallocated corporate other revenue									**47**	17
Profit from operations									**16,558**	36,451
Finance costs									**(1,798)**	(2,008)
Share of profits/(losses) of jointly controlled entities									**668**	(76)
Profit before taxation									**15,428**	34,367
Income tax expense									**(7,870)**	(7,847)
Profit for the year									**7,558**	26,520
Provision for impairment losses on										
— trade receivables	**60**	9	**—**	—	**—**	—	**—**	—	**60**	9
— other receivables	**—**	—	**310**	—	**—**	—	**—**	—	**310**	—
Reversal of impairment loss on trade receivables	**—**	117	**—**	—	**—**	—	**—**	—	**—**	117
Write-off of other receivables	**—**	—	**—**	197	**—**	—	**—**	—	**—**	197
Amortisation of intangible assets	**—**	—	**686**	—	**—**	—	**—**	—	**686**	—
Depreciation	**1,630**	1,644	**6,752**	6,454	**605**	448	**15**	24	**9,002**	8,570
Segment assets										
— Property, plant and equipment	**3,540**	4,608	**19,946**	13,992	**1,450**	1,683	**2**	17	**24,938**	20,300
— Intangible assets	**—**	—	**8,386**	—	**—**	—	**—**	—	**8,386**	—
— Interests in jointly controlled entities	**—**	—	**5,704**	5,039	**—**	—	**—**	—	**5,704**	5,039
— Other assets	**173,565**	127,869	**77,503**	56,706	**25,194**	29,919	**619**	841	**276,881**	215,335
Unallocated corporate assets									**16,644**	43,108
Total assets									**332,553**	283,782
Segment liabilities	**(99,389)**	(67,766)	**(34,595)**	(38,497)	**(10,695)**	(12,637)	**(2)**	(2)	**(144,681)**	(118,902)
Unallocated corporate liabilities									**(38,591)**	(22,510)
Total liabilities									**(183,272)**	(141,412)
Additions to segment non-current assets	**901**	763	**20,576**	1,125	**361**	870	**—**	—	**21,838**	2,758

(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**	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**1,081,343**	972,621	**60,319**	67,164	**1,141,662**	1,039,785
Non-current assets	**24,834**	18,197	**17,418**	10,093	**42,252**	28,290

(c) ***Major customers***

During the year ended 31 March 2013, only one customer (2012: one) with whom transactions exceeded 10% of the Group's revenue. Revenue from distribution sale of cosmetic and skin care products to this customer in the PRC amounted to approximately HK$184,791,000 (2012: HK$168,891,000).

9. Trade receivables

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**132,715**	91,234
Less: allowance for doubtful debts	**(562)**	(502)
	132,153	90,732

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

	2013	2012
	HK$'000	*HK$'000*
Current	**126,200**	89,553
Less than 1 month past due	**2,442**	527
1 to 2 months past due	**512**	504
More than 2 months but less than 12 months past due	**721**	148
More than 4 months but less than 12 months past due	**1,854**	—
More than 12 months past due	**424**	—
Amounts past due	**5,953**	1,179
	132,153	90,732

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 usually 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 end of the reporting period:

	2013	2012
	HK$'000	*HK$'000*
Due within 1 month or on demand	**52,927**	33,628

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The world economy faced considerable challenges in the year ended 31 March 2013 (the "Year Under Review"), given the fiscal retrenchment in the United States and the sustained economic turbulence in the euro area. In China, consumer spending was tepid with continued slowdown in economic growth, and Beijing's launch of frugality drive and anti-extravagance campaign in December. Facing the unfavorable environment in the industry in which it operates, the Group has successfully leveraged on its leading market position and broad-based clientele further consolidated through innovative products and services to deliver amiable performance in the Year Under Review.

2012 was a year of satisfactory performance for Sau San Tong. A turnover amounting to approximately HK$1,141,662,000 was recorded, representing an increase of 10% from approximately HK$1,039,785,000 of the previous year. The increase was mainly attributable to the remarkable growth in the distribution sales of our Shanghai Dong Fang Ri Hua Sales Co. Ltd. ("Dong Fang"). Turnover from Dong Fang increased by 16% to approximately HK$1,008,752,000 during the Year Under Review (2012: approximately HK$870,007,000).

Despite the challenging market conditions encountered, all our beauty, slimming and spa centers in both Hong Kong and in the PRC continued to record agreeable performances during the Year Under Review. Turnover generated from all our beauty, slimming and spa centers amounted to approximately HK$96,681,000 (2012: approximately HK$108,386,000) comparable to last year, whereas the franchise cooperation business made a contribution of HK$34,986,000 to the turnover of the Group (2012: HK$58,414,000).

Gross profit amounted to approximately HK$167,564,000 for the Year Under Review, compared to HK$178,155,000 for the previous year. Profit attributable to owners of the Company was approximately HK$6,177,000, compared to HK$24,126,000 of last year. The decreases were mainly attributable to a receding performance of the beauty and slimming segment under a shift of business focus to high-end products and services with a lower margin but more rosy prospects, as well as the impact of negative factors including higher sales costs and appreciation of Renminbi. During the Year Under Review, administrative expenses amounted to HK$71,829,000 (2012: approximately HK$69,429,000). Notwithstanding the increase in turnover, administrative expenses were maintained at levels comparable to that of the previous year.

During the Year Under Review, the Group continued to consolidate its market leadership through introducing a number of innovative and quality products and services, as well as the opening of official accounts and fan pages in popular social networks such as Baidu, Sina Weibo, Tencent Weibo and Facebook.

Beauty, Slimming and Spa Centers

Against a background of modest expansion in the Hong Kong economy, the retail sector showed retarded growth during the Year Under Review. This has compounded existing unfavorable operating factors in Hong Kong linked to high rental and inflation pressure. Nevertheless, beauty, slimming and spa products and services have exhibited relatively strong attributes and resilience against declining economy, as they have gradually changed from being luxury to necessities for the local female population. As income continued to rise and lifestyle became increasingly busy, relaxing and revitalizing beauty and slimming service and high-end products saw steady increases in demand. Market sophistication also favored the dominance of the higher end market by Sau San Tong which enjoys strong brand recognition and quality reputation. However, at the start of migration to the high-end market this year, the Group unavoidably suffered from an initial set back in the segmental results due to the lower margin of high-end products. This was further aggravated by negative factors such as throttling rentals and increases in costs of sale.

In an effort to further strengthen its leading market position, the Group has introduced a number of innovative beauty, slimming and anti-aging treatments and machineries during the Year Under Review. 4S thermal longevity therapy is one of the highlights introduced. It mimics the traditional Chinese cupping therapy which uses thermal energy and negative pressure to promote localized blood and lymph circulations, improve skin elasticity and invigorate metabolism with the aim of body detoxification and slimming. We also launched the “Restorative Redefining Body-shaping Therapy” using ROBOLEX which combines four major slimming technologies, namely multi-frequency transmission, ultra-sound, laser and negative pressure in one to deliver enhanced slimming and shaping results. ROBOLEX has obtained the CE certification and can effectively help to resolve fat accumulation, edema and slack skin issues through a painless, massage-like procedure. We have also pioneered the combination of treatment with health foods and launched our exclusive “Trim-me Revitalizing Magnetotherapy” to help our customers build attractive silhouettes. While slimming honey is an all-natural drink to help the body dissolve fat, the treatment also uses magnetic geranium, a natural mineral to replenish the body with negative ions in order to purify the blood, invigorate body cells, boost immunity and alleviate insomnia. Combined with pilates, the entire body is strengthened and toned through an emphasis on both muscle building and regulated breathing to achieve outstanding slimming results. Sau San Tong is committed to delivering efficient and effective beauty and slimming treatments to allow our clients to feel refreshed and reborn. In addition to providing top-notch beauty and slimming products and services, the Group invests extensively in research and development and new technologies in the drive to create and unleash the beauty of each of our clients.

As vast swathes of the Chinese population begin to have increasing disposable income to spend on items other than the living essentials, the PRC beauty and slimming market continues to be underpinned by strong demand. Unscathed by the deceleration in economic growth and the central government's frugality drive that mainly focuses on government officials, China's vast market is supported by a significant number of female consumers who are able to afford more expensive high-end beauty and slimming services and demand for reliable anti-aging treatments. Given our presence in the PRC market and solid reputation built over the years, we have established a strong distribution and sales platform, solid foundation and strong brand visibility in the mainland with the establishment of deluxe beauty, slimming and spa centers. With a bigger population moving up the economic ladder, we believe that the beauty, slimming and anti-aging market in China will continue to grow. Capitalizing on our established presence and reputation, we will continue to earnestly expand our business in the PRC cities to achieve sustainable growth and return.

To leverage on our wealth of know-hows in the industry accumulated over the years, and to better capitalize on its existing resources, the Group also provides management consultation services for the setting up of beauty, slimming and spa centers. The management believes that the provision of consultation services by our high caliber professionals in the management and operation of beauty, slimming and spa centers will continue to enjoy high demand while there is a lack of related expertise in the PRC market.

Distribution Business in the PRC

Paralleled to the provision of slimming and beauty services, product distribution is another core business of the Group. Dong Fang is the biggest distributor of P&G products in East China Area, and we are the sole distributor of SK-II, the world top class skincare brand, in the Eastern and Western China. The Year Under Review has marked a strong year for our product distribution segment, with the turnover climbing to a record high of approximately HK$1,008,752,000. Apart from SK-II, we also distribute Olay and various P&G personal care, cosmetic and skin care products, as well as Gillette Men series. Also, Dong Fang is authorized by P&G as the sole distributor to distribute its world recognized brands of high-end prestige fragrances, including Gucci, Dolce & Gabbana, Hugo, BOSS, Anna Sui, Dunhill, MontBlanc and ESCADA in the PRC (excluding departmental store channel). Looking ahead, as China continues shift a higher percentage of its GDP to high-end products, the management anticipates the revenues generated from the distribution business will continue to attain new heights and generate stable and sizeable income to the Group.

Health and Beauty Products

Being a leading beauty and slimming services provider on the market, the Group is committed to development and introduction of new and innovative products that cater to the needs and demands of its customers. During the Year Under Review, the Group has launched various products embedding an innovative mix of ingredients and technologies. One feature product launched is "Rebalancing Purifying Cream". Formulated with oil absorption factors, our "Rebalancing Purifying Cream" suppresses excessive sebum production, minimizes the pores and replenishes the skin with hydration it needs all day long, responding to the needs of combination and oily skins. Another product is "Ultra Revitalizing Eye Trio" includes two eye products created with multiple biotechnologies and advanced active ingredients including hyaluronic acid, hydrolyzed collagen, panthenol and vitamin derivatives to resolve major issues in the eye area. The high frequency massage stick coming in the trio is of unique design and an utmost in eye care routines. Apart from numerous points of sales in the PRC introduced by the Consultant and the already existed 48 franchise co-operate beauty and slimming shops, 43 franchise co-operate beauty and slimming shops have been added to our coverage in the PRC during the year, proliferating our network to 89 cities in the nation. In the forthcoming year, the Group will focus on launching highly specialized products to address different skin concerns in different geographic locations, climates and seasons. The Group is confident that the products sales business line will become another major business stream of the Group.

Franchise Co-operation Business in the PRC

The Group started to tap in the PRC market in 2004 upon seeing the vast potential market in the PRC. Looking to capture a sizeable market share and establish its brand presence in a short time, we believed that the franchising co-operation model should be the best way. However, our virgin attempt of franchise co-operation business building on internal available resources lagged our expectation during the first few years due to a lack of allocated resources and expertise. Despite this initial setback, we successfully turned it into a valuable lesson for future business building.

Learning from our previous experience, the Group reformed the business model of its franchise co-operation business in June 2010. Since then, this segment has been realizing outstanding growth and exciting results. As at 31 March 2013, we have entered into more than 140 franchise co-operation contracts and established more than 90 franchise co-operate beauty and slimming shops situated in more than 80 cities across the PRC. Building on such impressive results, the Group strives to further strengthen this business segment through stepping up training for its team. Three CEO exchange and training courses for the CEOs of the franchise co-operate shops have been held during the Year Under Review to provide insights in the philosophy and skills related to the operation, management, services and sales, with the objective of enhancing the operation and development of the franchise co-operation business in the PRC.

BeautyU Online Booking Platform

In October 2012, the Group officially launched “BeautyU” website as the first online beauty and slimming service booking platform in the PRC. BeautyU is the fruitful result of the joint initiative of Sau San Tong and an equity fund to serve as a platform for beauty and slimming service providers to join the platform. Also, as China has the largest number of online consumers in the world, the Group has embraced the “online” strategy for growing its income stream. Revolutionizing the traditional consumption model of big lump-sum prepayments, this new booking platform promotes self-service booking on a charge-per-usage basis with clear charge standards and user comments published on the website. As a pioneer of its type, the website vows to the philosophy of “promotion without hard-selling” which allows customers to pick the place, date, time and service at their own decision, introducing our customers a new lifestyle as well as leading the way of internet selling in the beauty and slimming industry.

On 28 December 2012, Bravo Media Limited (“Bravo Media”), a direct wholly-owned subsidiary of the Company, Beauty University Management Limited (“Beauty University”), a direct wholly-owned subsidiary of Bravo Media and an indirect wholly-owned subsidiary of the Company, and the Company have entered into an Investment Agreement with Merit Wise Enterprises Limited ("Merit Wise"). Pursuant to the Investment Agreement, amongst other things, Merit Wise shall inject HK$20,000,000 into Beauty University and following the making of the Investment, Beauty University shall allot (i) 20 Shares to Merit Wise, which comprises 20% of the entire issued share capital of Beauty University, and (ii) 79 Shares to Bravo Media, which comprises 79% of the entire issued share capital of Beauty University. Details of which were set out in the announcement of the Company dated 28 December 2012. The transaction was completed during the Year Under Review.

Outlook

2012 showed a clear divergence in situations between the West and the East, with consumers in the United States and Europe paring back expenditures in contrast with an increasing proportion of China's GDP being spent on consumer products, in particular luxury items. Looking into the year ahead, as the global economy is likely to remain subdued given the slow recovery in the United States and fiscal austerity in the euro zone, the consumer sentiment looks less than rosy and the general prospects for the beauty and slimming industry remain uncertain. The management intends not to overlook the possible impact of the global macroeconomics on our industry and markets in Hong Kong and China and proposes precautionary cost-cutting measures and diversifying the Group's business as an answer to these challenges.

As in recent years, China's economy will remain a key determinant for the prospects in Sau San Tong's markets in Hong Kong and the PRC. After avoiding a hard landing in the Year Under Review, the economy in the PRC is moving from strong, unbalanced growth to more stable and sustainable growth. On the other hand, the government's efforts in cracking down corruption and extravagance, while discouraging to certain pockets of the consumption market, is largely targeted at the government officials and have less significant impact on the beauty and slimming industry in which we operate. China has the largest number of online customers in the world and the fastest-growing demand for beauty and slimming products and services, and these two facts are now converging. In light of this, the Group will embrace the "online" strategy, capitalize on our pioneer "BeautyU" online platform and invest more resources in the e-commerce business to tap deeper into this arena. Also, as China's traditional, well-heeled beauty and slimming service consumers become more experienced and sophisticated, there arises a tilting of demand towards high-end and customized personal services. In view of this trend, the Group will continue to seek even higher service standards through intensive investments in research and development, and more importantly, better response to our customers' needs through better communication. Customers can either directly express opinion to centre's staff or propose through our new national customer service call centre at anytime. Besides, the Group clearly understand that the coming market trend will shift to looking for rejuvenation and longevity, so we will continue to invest and equip ourselves and get ready to strive the leading role in the anti-aging market.

Capital Structure, Liquidity and Financial Resources

Cash and bank balances as at 31 March 2013 were approximately HK$73,546,000 compared to approximately HK$110,028,000 as at 31 March 2012. Gearing ratio of the Group was 12% (2012: 10%), based on total of bank borrowings of approximately HK$18,585,000 (2012: approximately HK$14,760,000) and the net assets of approximately HK$149,281,000 (2012: approximately HK$142,370,000). As at 31 March 2013, liability of the Group amounted to approximately

HK$183,272,000 (2012: approximately HK$141,412,000), including account payables and other payables of approximately HK$98,300,000 (2012: approximately HK$59,933,000) arising mainly from the daily operations of our subsidiary, Dong Fang, deferred income of approximately HK$21,812,000 (2012: approximately HK$27,956,000), and bank borrowings of approximately HK$18,585,000 (2012: approximately HK$14,760,000) arising mainly from the trading activities of Dong Fang. The 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 1.79:1 (2012: 1.88:1), reflecting the adequacy of financial resources.

Convertible Notes and Unlisted Warrants

Pursuant to the subscription agreement entered into between the Company and Dr. Cheung Yuk Shan, Shirley ("Dr. Cheung") 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 ("Subscription Convertible Note") on 5 November 2010. The Subscription 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 5 November 2012, the maturity date of the Subscription Convertible Note, the Subscription Convertible Note was not converted. The Company redeemed the Subscription Convertible Note on 5 November 2012.

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.

Treasury Policy

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

Foreign Exchange Exposure

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

Net Assets

As at 31 March 2013, the Group's net assets amounted to approximately HK$149,281,000 compared to approximately HK$142,370,000 as at 31 March 2012. There are no charges on the Group's assets as at 31 March 2013 and 2012.

Contingent Liabilities

As at 31 March 2013 and 2012, the Group and the Company had no material contingent liabilities.

Employee Information

As at 31 March 2013, the Group had 506 employees (2012: 480). During the year, the Group's total staff costs amounted to approximately HK$73,354,000 (2012: approximately HK$68,251,000).

The Group's remuneration policies are formulated on the basis of the performance and experience of individual employee and are in line with practices of local markets in which the Group operates. In addition to salary, the Group also offers to its employees other fringe benefits including share option, provident fund and medical benefits.

Share Option Scheme

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. As at 31 March 2013, there is an aggregate of 19,186,248 outstanding options to subscribe for 19,186,248 shares of the Company pursuant to the share option scheme adopted on 4 November 2003.

Significant Investments and Acquisitions

Saved as disclosed under the heading "BeautyU Online Booking Platform" above, there were no significant acquisitions and disposals of investments by the Group during the Year Under Review.

Future Plan

Going forward, demand for beauty and slimming products and services in Hong Kong and the PRC is likely to remain on the trend of expansion, tracking GDP growth. In the forthcoming years, the Group will continue to intensively invest in the development of new treatments and products suited to the needs and preferences of all range of clients. By keeping up its acute market sense and prescient operating strategy while at the same time capitalizing on our solid financial position and reputation, we will continue to earnestly expand our business in markets where our competitive advantages lie and capture new business opportunities to achieve sustainable growth in both the short and long term.

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

As at 31 March 2013, 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			
Name of directors	**Corporate interests**	**Personal interests**	**Total**	**Approximate percentage of interest in the Company's issued share capital**
Dr. Cheung Yuk Shan, Shirley	31,332,000 *(Note 1)*	40,322,700	71,654,700	28.86%
Mr. Cheung Ka Heng, Frankie	—	700,000	700,000	0.28%

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:

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 2013, 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 2013, 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	40,322,700	16.24%	323,124

Saved as disclosed above, as at 31 March 2013, 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 (the "Code") contained in Appendix 15 of the GEM Listing Rules throughout the year, except that:

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, the Company does not have a separate chairman and chief executive officer and Dr. Cheung, the founder of the Group, holds both positions. The Board believes that Dr. Cheung can guide discussions and brief the Board in a timely manner on pertinent issues given her solid experience and strong connection in the beauty sector, and that vesting the roles of both chairman and chief executive officer in her provides the Group with strong and consistent leadership and allows for more effective and efficient planning and execution of long-term business strategies.

According to code provision E.1.3, the notice of the annual general meeting ("AGM") shall have been sent to all shareholders of the Company at least 20 clear business days before the date of the AGM. The notice of the AGM held on 21 September 2012 had been sent to all shareholders of the Company less than 20 clear business days in advance. The Directors believe that this was an exceptional incident because the Chairman is expected to have other business commitments afterwards and the Company ensures further compliance with code provision E.1.3.

Full details in respect of the compliance with Appendix 15 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 2013.

AUDIT COMMITTEE

The Company 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 consolidated financial statements of the Group for the year ended 31 March 2013.

REMUNERATION COMMITTEE

The Company has established a remuneration committee with written terms of reference in compliance with Rules 5.34 to 5.36 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.

NOMINATION COMMITTEE

The Company has established a nomination committee with written terms of reference in compliance with the Code. Details of the role and work performed by the Committee are set out in "Corporate Governance Report" in the annual report.

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, 26 June 2013

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.