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 2014

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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.

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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 2014, together with the comparative audited figures for the year ended 31 March 2013, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 March 2014

	Note	2014	2013
		HK$'000	*HK$'000*
Turnover	*2*	**1,362,916**	1,141,662
Cost of sales		**(1,189,750)**	(974,098)
Gross profit		**173,166**	167,564
Other revenue	*3*	**15,996**	3,272
Other net income	*3*	**3,359**	1,414
Selling and distribution costs		**(85,050)**	(83,863)
General and administrative expenses		**(85,223)**	(71,829)
Profit from operations		**22,248**	16,558
Finance costs	*4*	**(3,647)**	(1,798)
Share of (losses)/profits of joint ventures		**(3,669)**	668
Profit before taxation	*4*	**14,932**	15,428
Income tax expense	*5*	**(7,287)**	(7,870)
Profit for the year		**7,645**	7,558
Attributable to:			
Owners of the Company		**3,221**	6,177
Non-controlling interests		**4,424**	1,381
Profit for the year		**7,645**	7,558
		HK cents	*HK cents*
Earnings per share			
Basic and diluted	*7*	**1.29**	2.49

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	2014	2013
	HK$'000	*HK$'000*
Profit for the year	**7,645**	7,558
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss:		
— Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	**1,657**	571
Total comprehensive income for the year	**9,302**	8,129
Attributable to:		
Owners of the Company	**4,143**	6,478
Non-controlling interests	**5,159**	1,651
Total comprehensive income for the year	**9,302**	8,129

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment		**32,626**	27,842
Intangible assets		**6,722**	8,386
Goodwill		**320**	320
Interests in joint ventures		**2,047**	5,704
		41,715	42,252
Current assets			
Inventories		**26,272**	13,169
Trade receivables	9	**154,880**	132,153
Prepayments, deposits and other receivables		**78,715**	62,093
Amounts due from related parties		**9,385**	9,278
Current tax recoverable		**—**	62
Cash and cash equivalents		**99,647**	73,546
		368,899	290,301
Current liabilities			
Bank loans		**40,291**	18,585
Trade payables	10	**42,364**	52,927
Other payables and accrued charges		**57,075**	45,373
Amount due to a director		**730**	20,714
Amounts due to joint ventures		**1,896**	19
Amounts due to related parties		**1,511**	1,392
Deferred income		**17,671**	21,812
Current tax payable		**1,238**	1,613
		162,776	162,435
Net current assets		**206,123**	127,866
Total assets less current liabilities		**247,838**	170,118
Non-current liabilities			
Convertible notes		**48,324**	—
Other long-term liability		**17,102**	16,444
Deferred tax liabilities		**4,652**	4,393
		70,078	20,837
NET ASSETS		**177,760**	149,281
CAPITAL AND RESERVES			
Share capital		**2,980**	2,483
Reserves		**150,420**	123,031
Total equity attributable to owners of the Company		**153,400**	125,514
Non-controlling interests		**24,360**	23,767
TOTAL EQUITY		**177,760**	149,281

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Attributable to owners of the Company											
	Share capital *HK$'000*	Share premium *HK$'000*	Merger reserve *HK$'000*	Exchange reserve *HK$'000*	Share-based payment reserve *HK$'000*	Convertible notes reserve *HK$'000*	The PRC statutory surplus reserve *HK$'000*	Other reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
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
At 1 April 2013	2,483	160,072	(3,637)	6,974	10,732	–	4,463	48	(55,621)	125,514	23,767	149,281
Changes in equity for 2014:												
Profit for the year	–	–	–	–	–	–	–	–	3,221	3,221	4,424	7,645
Other comprehensive income	–	–	–	922	–	–	–	–	–	922	735	1,657
Total comprehensive income for the year	–	–	–	922	–	–	–	–	3,221	4,143	5,159	9,302
Cancellation and expiry of share options	–	–	–	–	(2,982)	–	–	–	2,982	–	–	–
Issue of convertible notes	–	–	–	–	–	1,925	–	–	–	1,925	–	1,925
Appropriation to the PRC statutory surplus reserve	–	–	–	–	–	–	2,210	–	(2,210)	–	–	–
Issue of shares	497	21,850	–	–	–	–	–	–	–	22,347	–	22,347
Share issue expenses	–	(529)	–	–	–	–	–	–	–	(529)	–	(529)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(4,566)	(4,566)
At 31 March 2014	2,980	181,393	(3,637)	7,896	7,750	1,925	6,673	48	(51,628)	153,400	24,360	177,760

Notes:

1. Basis of preparation

The consolidated financial statements for year ended 31 March 2014 comprise the Company and its subsidiaries (together the "Group") and the Group's interests in joint ventures.

The measurement basis used in the preparation of consolidated 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 Standards ("HKFRSs") that are first effective for the year ended 31 March 2014. Of these, the following developments are relevant to the Group's financial statements:

HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interest in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 1 Amendments	Amendments to HKAS 1 Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
Annual Improvements Projects	Annual Improvements 2009-2011 Cycle

HKFRS 10, Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation — Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect of determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

HKFRS 11, Joint Arrangements

HKFRS 11, which replaces HKAS 31, Interests in joint ventures, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment from jointly controlled entities to joint ventures. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial results of the Group.

HKFRS 12, Disclosure of Interests in Other Entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards.

HKFRS 13, Fair Value Measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Amendments to HKAS 1, Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "consolidated statement of profit or loss" and "consolidated statement of profit or loss and other comprehensive income" as introduced by the amendments in these consolidated financial statements.

Other than as noted above, the adoption of the new or amended HKFRSs did not result in significant changes to the Group's accounting policies applied in these consolidated financial statements for the years presented.

The Group has not applied any new or revised HKFRSs 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:

	2014 ***HK$'000***	2013 *HK$'000*
Distribution sale of cosmetic and skin care products	**1,241,842**	1,008,752
Provision of beauty and slimming services	**89,509**	96,681
Provision of franchise services	**8,494**	8,389
Sale of health, beauty and related products	**23,071**	27,840
	1,362,916	1,141,662

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

3. Other revenue and net income

	2014	2013
	HK$'000	*HK$'000*
Other revenue		
Referral fee income	**10,562**	—
Management fee income	**5,097**	2,970
Interest income	**328**	257
Others	**9**	45
	15,996	3,272
Other net income		
Subsidy income from the PRC government	**2,685**	1,148
Net (loss)/gain on disposal of property, plant and equipment	**(209)**	127
Net foreign exchange gain/(loss)	**28**	(330)
Others	**855**	469
	3,359	1,414

4. Profit before taxation

Profit before taxation is arrived after charging:

	2014	2013
	HK$'000	*HK$'000*
(a) Finance costs:		
Interest on bank loans	**2,140**	1,166
Interest on convertible notes	**849**	632
Interest on other long-term liability	**658**	—
	3,647	1,798
(b) Other items:		
Staff costs	**81,439**	73,354
Cost of inventories sold and services provided*	**1,189,750**	974,098
Auditors' remuneration	**1,497**	1,245
Amortisation of intangible assets	**1,664**	686
Depreciation of property, plant and equipment	**8,278**	9,037
Provision for impairment losses on		
— trade receivables	**132**	60
— other receivables	**1,191**	310
Operating lease rentals: minimum lease payments		
— property and display location rentals	**26,545**	24,511
— other equipment	**—**	1

* Cost of inventories sold and services provided includes HK$1,201,000 (2013: HK$1,806,000) 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 statement of profit or loss**

Taxation in the consolidated statement of profit or loss represents:

	2014	2013
	HK$'000	*HK$'000*
Current tax – PRC Enterprise Income Tax		
Provision for the year	**7,766**	9,104
Overprovision in respect of prior years	**(668)**	—
	7,098	9,104
Deferred tax		
Origination and reversal of temporary differences	**189**	(1,234)
Income tax expense	**7,287**	7,870

No provision for Hong Kong Profits Tax is made for 2014 (2013: 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 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 2014 and 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 2014 (2013: HK$Nil).

7. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK$3,221,000 (2013: HK$6,177,000) and the weighted average number of ordinary shares of approximately 248,838,000 shares (2013: 248,294,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2014	2013
	'000	*'000*
Issued ordinary shares at 1 April	**248,294**	248,294
Effect of issue of shares under placement	**544**	—
Weighted average number of ordinary shares at 31 March	**248,838**	248,294

(b) Diluted earnings per share

The diluted earnings per share for the years ended 31 March 2013 and 2014 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

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.

(a) Segment results, assets and liabilities

	Distribution sale of cosmetic and skin care products		Provision of beauty and slimming services		Franchise operations		Sale of health, beauty and related products		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	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	**1,241,842**	1,008,752	**89,509**	96,681	**30,195**	34,986	**1,370**	1,243	**1,362,916**	1,141,662
Reportable segment results	**27,999**	23,059	**1,891**	(1,614)	**(1,094)**	(271)	**595**	(577)	**29,391**	20,597
Unallocated corporate expenses									**(7,143)**	(4,086)
Unallocated corporate other revenue									**—**	47
Profit from operations									**22,248**	16,558
Finance costs									**(3,647)**	(1,798)
Share of (losses)/profits of joint ventures									**(3,669)**	668
Profit before taxation									**14,932**	15,428
Income tax expense									**(7,287)**	(7,870)
Profit for the year									**7,645**	7,558
Provision for impairment losses on										
— Trade receivables	**132**	60	**—**	—	**—**	—	**—**	—	**132**	60
— Other receivables	**—**	—	**1,191**	310	**—**	—	**—**	—	**1,191**	310
Amortisation of intangible assets	**—**	—	**1,664**	686	**—**	—	**—**	—	**1,664**	686
Depreciation of property, plant and equipment	**1,699**	1,630	**5,708**	6,752	**832**	605	**2**	15	**8,241**	9,002
Segment assets										
— Property, plant and equipment	**3,631**	3,540	**27,825**	19,946	**1,107**	1,450	**—**	2	**32,563**	24,938
— Intangible assets	**—**	—	**6,722**	8,386	**—**	—	**—**	—	**6,722**	8,386
— Interests in joint ventures	**—**	—	**2,047**	5,704	**—**	—	**—**	—	**2,047**	5,704
— Other assets	**206,806**	173,565	**104,181**	77,503	**16,801**	25,194	**703**	619	**328,491**	276,881
Unallocated corporate assets									**40,791**	16,644
Total assets									**410,614**	332,553
Segment liabilities	**(117,963)**	(99,389)	**(30,921)**	(34,595)	**(10,908)**	(10,695)	**(2)**	(2)	**(159,794)**	(144,681)
Unallocated corporate liabilities									**(73,060)**	(38,591)
Total liabilities									**(232,854)**	(183,272)
Additions to segment non-current assets	**1,739**	901	**10,736**	20,576	**465**	361	**—**	—	**12,940**	21,838

(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	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**1,301,368**	1,081,343	**61,548**	60,319	**1,362,916**	1,141,662
Non-current assets	**24,487**	24,834	**17,228**	17,418	**41,715**	42,252

(c) *Major customers*

During the year ended 31 March 2014, two customers (2013: one) with whom transactions exceeded 10% of the Group's revenue. Revenue from distribution sale of cosmetic and skin care products to these customers in the PRC is set out below:

	2014	2013
	HK$'000	*HK$'000*
Customer A	**269,461**	184,791
Customer B	**215,021**	N/A#

The corresponding revenue did not contribute 10% or more of the total revenue.

9. Trade receivables

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**155,574**	132,715
Less: allowance for doubtful debts	**(694)**	(562)
	154,880	132,153

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

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Current	**148,247**	126,200
Less than 1 month past due	**1,645**	2,442
1 to 2 months past due	**2,207**	512
More than 2 months but less than 4 months past due	**578**	721
More than 4 months but less than 12 months past due	**1,674**	1,854
More than 12 months past due	**529**	424
Amounts past due	**6,633**	5,953
	154,880	132,153

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:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Due within 1 month or on demand	**42,364**	52,927

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Continuing the trend of rebound of the second half of last year, the Hong Kong economy continued to grow during the first two quarters of the years, which was followed by a slowdown in the third quarter. Both private consumption and traveler expenditures slackened under the deceleration in the People Republic of China (the "PRC") economy growth. Market anticipations for the local economy were further clouded by an unfavourable external economic environment. In particular, the possible distress on the US economic performance caused by the temporary government shutdown in October last year left little room for any encouraging expectation for the Hong Kong economy which was generally thought to have lost the momentum for positive surprises in terms of growth.

The Group records a satisfactory performance in the year ended 31 March 2014 (the "Year Under Review"). A turnover amounting to approximately HK$1,362,916,000 was recorded, representing an increase of 19.4% from approximately HK$1,141,662,000 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 23.1% to approximately HK$1,241,842,000 during the Year Under Review (2013: approximately HK$1,008,752,000). The management is confident that the revenues generated from the distribution business will continue to grow and bring along stable and sizeable revenue to the Group, as vast swathes of the Chinese population begin to have increasing disposable income to spend on high-end products. Heedless of an unfavorable environment in the industry in which it operates, the Group has successfully leveraged on its leading market position and broad-based clientele. Our beauty, slimming and spa centre in both Hong Kong and in the PRC deliver amiable performance during the Year Under Review. Turnover generated from all our beauty, slimming and spa centres amounted to approximately HK$89,509,000 (2013: approximately HK$96,681,000) comparable to last year, whereas the franchise cooperation business made a contribution of HK$30,195,000 to the turnover of the Group (2013: HK$34,986,000).

Gross profit amounted to approximately HK$173,166,000 for the Year Under Review, compared to HK$167,564,000 for the previous year. Profit attributable to owners of the Company was approximately HK$3,221,000, compared to HK$6,177,000 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 a transient setback in Hong Kong market during the Year Under Review. Besides, the impact of negative factors included higher sales costs and appreciation of Renminbi. During the Year Under Review, administrative expenses amounted to HK$85,223,000 (2013: approximately HK$71,829,000), the sharp increase of staff cost and rental is the major reason of the increase of administrative expenses.

Beauty, Slimming and Spa Centres

Impacted by the meagre growth in the Hong Kong economy, the retail sector showed retarded growth during the Year Under Review. Other unfavorable operating factors such as high rentals and increases in other costs of sale also persisted. While our beauty, slimming and spa business in Hong Kong was unavoidably affected by these factors, it has nevertheless shown relatively strong resilience against sluggish economy growth. This was attributable to our excellent service management that enables greater quality assurance. Our long history of beauty and slimming service provision in Hong Kong has also gained the long-term favour of customers. The combination of attentive standardisation and sophistication of service procedures with effective customer-oriented marketing measures such as special trial packages has enabled the provision of competitive products and services that meet the demand and consumption pattern of its target customers.

Successful branding is another advantage enjoyed by the Group. Given that consumers of beauty industry products and services tend to be brand loyal and share what works for them with their peers, we have been combining our extensive experience in the industry with a meticulously managed product and service portfolio that is able to outshine our counterparts and consolidate the strong reputation for our cosmetic and skincare products as well as beauty and slimming services, gaining strong and lasting support and faith from its customers.

In an effort to further strengthen its leading market position in the beauty and slimming industry, the Group has introduced a number of innovative beauty, slimming and anti-ageing treatments and machineries during the Year Under Review. One of the highlights introduced during the year was the "Raylife AW" from Germany that intertwines radiofrequency, acoustic waves and pulsed light. The application of different technologies at the same time guarantees better results and the resolution of any aesthetic problem from evening of skin tone and anti-ageing to body sculpting and stimulation of tissue renewal. Another new introduction was "Cryojet" from Korea that utilises the cool dermal penetration technology to achieve enhanced penetration of active ingredients , or slimming effect through targeted destruction of fat cells. Without using needles and therefore without causing any pain, it can also be applied in activating the self-protection mechanism of the skin through stimulating the circulation to the treatment area for immediate skin rejuvenation.

In the PRC, consumer confidence has been hit for a while by the sudden closing of business by a renowned beauty and slimming company near the end of 2013. Nevertheless, the beauty and slimming industry maintained its strong growth in 2013. The Chinese beauty and slimming industry is generally speaking at the beginning of its fully developed phase, benefited by growing household income and rising awareness of personal appearance and wellbeing among Chinese consumers. The rise of the new affluent class and consumers' uplifting demand in China have been the main factors to drive the consumption of high quality beauty and slimming products and services, which were seen as daily necessities for many and more. During recent years, the urbanisation process and the sprouting of new business areas and malls as a result are further accelerating the consumption power with the tier-two and tier-three cities become the "rising battlefields" for the industry. The China market is also seeing growing sophistication, with a highly versatile range of products and services are available including beauty, body sculpting, cosmetics, image design, slimming and health management etc.

Market sophistication also favoured the dominance of the higher end market by Sau San Tong which enjoys strong brand recognition and quality reputation. Our beauty and slimming centres are situated in prime locations in the PRC with convenient customer access and attractive design and layout and we pride ourselves in using the best of professional beauty technicians and the most up-to-date modern technologies. The successive opening of the our new beauty and slimming centre in Sinan Mansion, Shanghai in September 2013 and our luxury beauty and slimming clubhouse in Shanghai Bund area in October 2013 marked a new milestone for the Group's business development in the PRC. These two new centres are designed to provide its customers with fanastic experience in a luxury environment equipped with comprehensive top-notch facilities, and are expected to further enhancing our market position to capture the immense opportunities and potentials arising from the ongoing market sophistication in Mainland China. We believe that the beauty, slimming and anti-ageing market in China will continue to be underpinned by strong demand as a larger portion of the population moves up the economic ladder. Our established presence and reputation in the PRC market will undoubtedly facilitate our expansion efforts to generate sustainable growth and return.

In view of the lack of related expertise in the PRC market, we have capitalised on our strong team of high caliber professionals, as well as our wealth of know-hows in the management and operation of beauty, slimming and spa centres to provide management consultation services, which proved invaluable to our customers and continued to enjoy high demand during the Year Under Review.

Distribution Business in the PRC

Paralleled to the provision of slimming and beauty services, product distribution is another core business of the Group in the PRC. Dong Fang is the biggest distributor of P&G products in East China Area, with a major presence in Jiangsu, Zhejiang and Shanghai. Over the years, Dong Fang has established strong reputation in the industry with its high-quality products and services in the distribution of a wide range of P&G products under the brand names of SKII, Olay, Pantene, Head & Shoulders, Oral-B, Gillette Men, Vidal Sassoon and a number of other brands in the Eastern and Western China. Also, Dong Fang is authorised by P&G as the sole distributor to distribute its world recognised brands of high-end luxury fragrances, including Gucci, Dolce & Gabbana, Hugo, BOSS, and Lacoste in the PRC (excluding departmental store channel). In February 2014, the portfolio of Dong Fang was further extended to include Wella, Sebastian, Clairol, and SP.

Health, Beauty and Related Products

Looking to enrich its portfolio of beauty and slimming products and services and thereby securing its leading position on the market, the Group invests heavily in the development and introduction of new and innovative products that cater to the needs and demands of its customers. During the year, a number of innovative products have been launched, including Syn-ake Prodna 4D mask that represses contraction of facial muscles to effectively smooth out wrinkles, fine lines and expression lines, while preventing the formation of wrinkles. Another star product for the year was Sau San Tong Ultra Reshaping Waist Trio that combines massage oil, waist patch and body lotion for rapid slimming effect through getting rid of stubborn fat, boosting metabolism and circulation, effectively alleviating swelling, while at the same time moisturises the skin around the waist.

Looking into the year ahead, the Group will continue to launch new products that feature advanced technologies, innovative and environmental safety ingredients. We believe that the product sales segment will continue to make significant contribution to the Group's results in the future.

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. Apart from setting up numerous points of sales in the PRC, we have sought to capture a sizeable market share and establish its brand presence in a short time through the franchising co-operation model, which we believed to be the most efficient way. After initial setbacks, this segment has started to gain a stable foothold in the PRC market and we are looking forward to further enhancing our brand presence through continuous expansion of our network of franchise co-operate beauty and slimming shops in the years to come.

15 new franchise co-operate beauty and slimming shops have been added to our extensive network during the Year Under Review. As at 31 March 2014, more than 150 franchise co-operation contracts have been signed.

BeautyU Online Booking Platform

Since its launch in October 2012, BeautyU, the first online beauty and slimming service booking platform website in the PRC continued to enjoy big success in soliciting beauty and slimming service providers to join, and attracting retail customers to making bookings online in accordance with their own needs. This website was highly welcomed by customers who dislike the traditional exhausting hard-selling strategy and prepayment practice. In leading the way of internet selling in the industry, we believe the website will bring the beauty and slimming industry to a new era and prove to be a valuable asset to the Group.

Outlook

Looking back at 2013, the worldwide economy was deeply shaken by the fiscal cliff in the United States and the gradual exit of related subsidy policies in China. The much looked forward to recovery failed to show signs of optimism. But after years of disappointment, things are looking up in the advanced world and the global economy is expected to mildly pick up on a better outlook to stronger recent indicators and increased economic activities in the US and Eurozone. China, seeing its problems as already past its worst, is expected to benefit from improved exports to the developed countries. In view of the possible economic growth, the Group will strive for stable growth in the coming year through a combination of cost control efforts and quality assurance measures for its services and products. Expansion initiatives will concentrate on the direction of diversification with the research and development of new treatments and products and development of e-commerce to cater to the needs of customers from different categories.

In China, consumers, manufacturers and regulatory authorities have been alarmed by the safety issues of beauty and slimming products and services recently. It is believed that the promulgation of various hygienic standards can help to regulate the behaviour of beauty and slimming industry players and protect the rights of consumers. While this is going to exert a heavy blow on the lower-end institutions causing them to exit from the competition, it is expected that the resulted higher entry-barrier and elimination of sub-par operators will benefit the development of high-end participants such as the Group. Another imminent trend for the industry is the standardisation of technicians. In view of this, the Group is actively training its teams of talents to enhance the provision of consistent service level across different regions.

As the traditional, well-heeled beauty and slimming service consumers become more experienced and sophisticated, and are taking a more holistic view of their health, there arises a tilting of demand towards high-end and customised personal services. In view of these, the Group will continue to pursue even higher service standards through persistent innovations and intensive investments in research and development, and strive to become the protagonist of the beauty and slimming industry.

Awards

Widely recognised and highly praised for its outstanding products and services, the Group was proud to receive numerous accolades over the years including "Body Specialist", "Best Label Award – Slimming" by Marie Claire Magazine, "Yahoo! Emotive Brand Award – Beauty and Fitness Centre Category" by YAHOO! many times, and is honoured to be the "Caring Company" for six consecutive years.

Charity

In our pursuit for epiphanies of physical beauty, we believe the beauty of the heart is equally important and spare ourselves no effort to support charity initiatives. In addition to our regular charity donations and volunteer initiatives, a charity gala was held at the opening of our luxury beauty and slimming clubhouse in Shanghai Bund area in October 2013. All money raised at the event went directly to charity programs and services.

Capital Structure, Liquidity and Financial Resources

Cash and bank balances as at 31 March 2014 were approximately HK$99,647,000 compared to approximately HK$73,546,000 as at 31 March 2013. Gearing ratio of the Group was 22.7% (2013: 12.4%), based on total of bank borrowings of approximately HK$40,291,000 (2013: approximately HK$18,585,000) and the net assets of approximately HK$177,760,000 (2013: approximately HK$149,281,000). As at 31 March 2014, liability of the Group amounted to approximately HK$232,854,000 (2013: approximately HK$183,272,000), including account payables and other payables of approximately HK$99,439,000 (2013: approximately HK$98,300,000) arising mainly from the daily operations of our subsidiary, Dong Fang, deferred income of approximately HK$17,671,000 (2013: approximately HK$21,812,000), and bank borrowings of approximately HK$40,291,000 (2013: approximately HK$18,585,000) 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 2.27:1 (2013: 1.79:1), reflecting the adequacy of financial resources.

On 28 March 2014, the completion date of the top-up placing, the Group successfully raised funds from the subscription in the amount of approximately HK$22,000,000 before expenses. Fund raised from the subscription will be used as general working capital.

Convertible Notes

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 extraordinary general meeting held on 6 December 2013, the Company issued a convertible note in the principal amount of HK$20,000,000 to Dr. Cheung ("Subscription Convertible Note") on 20 December 2013. The Subscription Convertible Note is with 2% interest rate per annum and is due in 3 years from the date of issue and convertible into ordinary shares at an initial conversion price of HK$0.33 per conversion share, subject to adjustments. Up to the date of this announcement, the Subscription Convertible Note has not yet been converted.

Pursuant to the placing agreement entered into between the Company and the placing agent and an ordinary resolution passed at the extraordinary general meeting held on 6 December 2013, the placing of placing convertible notes in an aggregate principal amount of HK$30,000,000 ("Placing Convertible Notes") were placed by the Placing Agent and issued to not fewer than six placees who are independent third parties on 20 December 2013. The Placing Convertible Notes are with 4% interest rate per annum and is due in 3 years from the date of issue and convertible into ordinary Shares at an initial conversion price of HK$0.33 per conversion share, subject to adjustments. Up to the date of this announcement, the Placing Convertible Notes have not yet been converted.

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 2014, the Group's net assets amounted to approximately HK$177,760,000 compared to approximately HK$149,281,000 as at 31 March 2013. There are no charges on the Group's assets as at 31 March 2014 and 2013.

Contingent Liabilities

As at 31 March 2014 and 2013, the Group and the Company had no material contingent liabilities.

Employee Information

As at 31 March 2014, the Group had 527 employees (2013: 506). During the year, the Group's total staff costs amounted to approximately HK$81,439,000 (2013: approximately HK$73,354,000).

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 2014, there is an aggregate of 15,850,000 outstanding options to subscribe for 15,850,000 shares of the Company pursuant to the share option scheme adopted on 4 November 2003.

Future Plan

Going forward, demand for beauty and slimming products and services in Hong Kong and the PRC will continue to the track of expansion. In the forthcoming years, the Group will continue to develop and launch new treatments and products suited to the needs and preferences of all range of customers.

With the rapid growing population of internet users in China and the emergence of the country as the world's second-largest e-tail market, e-commerce is the inevitable direction of development for many industries, but only innovative business models that can facilitate the invincible position will have a prosperous future. Positioning as more than a replacement channel for purchases that otherwise would have taken place offline, our tripartite website BeautyU online platform serves three purposes at one stop: improving brand visibility for Sau San Tong, promoting entrepreneurial opportunities for potential partners of beauty and slimming service providers, and enhancing customer experience for our retail customers. We believe this unique e-commerce engine will catalyse a "leapfrog" move, spur incremental consumption in the new era of the digital economy.

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

As at 31 March 2014, 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	24.05%
Mr. Cheung Ka Heng, Frankie	—	700,000	700,000	0.23%

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**
Mr. Cheung Ka Heng, Frankie	2 March 2011	2 March 2011 — 1 March 2016	HK$0.66	2,000,000	0.67%

Note:

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

Save as disclosed above, as at 31 March 2014, 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 2014, so far was known to any Directors or chief executive of the Company, the following interests of which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the issued capital of the Company, or which were recorded in the register of interests required to be kept under Section 336 of the SFO or have notified to the Company were as follows:

Long position in Shares:

Substantial shareholder	Capacity	Number of shareholding Share	Percentage
Biochem	Beneficial owner	31,332,000	10.52%
Dr. Cheung Yuk Shan, Shirley	Beneficial owner	40,322,700	13.53%

Saved as disclosed above, as at 31 March 2014, 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this announcement, the Company has maintained a sufficient public float of more than 25% of the Company's issued share as required under the GEM listing rules throughout the Year Under Review and up to the date of this announcement.

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.

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 2014.

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 for the year ended 31 March 2014. The audit committee has reviewed the consolidated financial statements of the Group for the year ended 31 March 2014.

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 for the year ended 31 March 2014.

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 for the year ended 31 March 2014.

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 2014

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, Ms. Hui Yat Lam and Ms. Chiu Kam Hing, Kathy.