



INTERIM REPORT

2015

中期業績報告

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修身堂
SAU SAN TONG

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.

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This report, for which the directors (the “Directors”) of Sau San Tong Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement herein or in this report misleading.





RESULTS

The Board of Directors (the “Board”) of the Company announces the unaudited consolidated financial results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 September 2015, together with the comparative figures of the corresponding period in 2014, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Turnover	2	391,690	356,333	784,308	700,999
Cost of sales		(349,647)	(326,162)	(707,070)	(637,090)
Gross profit		42,043	30,171	77,238	63,909
Net change in fair value of financial assets at fair value through profit or loss		(96,796)	—	14,690	—
Other revenue		8,029	7,852	11,914	11,461
Selling and distribution costs		(24,213)	(18,151)	(45,428)	(36,551)
General and administrative expenses		(21,090)	(20,378)	(41,616)	(41,455)
(Loss)/profit from operations		(92,027)	(506)	16,798	(2,636)
Finance costs		(402)	(1,378)	(935)	(2,006)
Share of losses of joint ventures		(1,545)	(642)	(2,068)	(1,217)
(Loss)/profit before taxation	3	(93,974)	(2,526)	13,795	(5,859)
Income tax expense	4	(5,832)	(1,982)	(20,791)	(3,413)
Loss for the period		(99,806)	(4,508)	(6,996)	(9,272)
Attributable to:					
Owners of the Company		(102,049)	(6,689)	(10,080)	(11,796)
Non-controlling interests		2,243	2,181	3,084	2,524
Loss for the period		(99,806)	(4,508)	(6,996)	(9,272)
			(restated)		(restated)
Loss per share	5				
Basic and diluted, HK cents		(5.26)	(0.96)	(0.54)	(1.70)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE (LOSS)/INCOME (UNAUDITED)

	For the three months ended 30 September		For the six months ended 30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period	(99,806)	(4,508)	(6,996)	(9,272)
Other comprehensive income/ (loss) for the period:				
Items that may be reclassified subsequently to profit or loss:				
— Exchange differences on translation of financial statements of foreign operations, net of nil tax	16	(3)	(4)	(4)
Total comprehensive loss for the period	(99,790)	(4,511)	(7,000)	(9,276)
Attributable to:				
Owners of the Company	(101,992)	(6,689)	(10,053)	(11,795)
Non-controlling interests	2,202	2,178	3,053	2,519
	(99,790)	(4,511)	(7,000)	(9,276)





CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30 September 2015 <i>HK\$'000</i>	(Audited) 31 March 2015 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	6	29,433	29,581
Intangible assets		4,001	4,908
Goodwill		18,880	320
		52,314	34,809
Current assets			
Inventories		16,711	18,712
Financial assets at fair value through profit or loss	7	38,926	95,400
Trade receivables	8	193,842	139,351
Prepayments, deposits and other receivables		164,307	115,796
Amount due from related parties		8,784	8,784
Cash and cash equivalents		371,485	182,953
		794,055	560,996
Current liabilities			
Bank loans		19,041	31,734
Trade payables	9	92,144	51,758
Other payables and accrued charges		94,758	70,315
Amount due to a director		—	39
Amount due to joint ventures		3,442	1,854
Amount due to related parties		942	—
Deferred income		21,206	11,708
Current tax payable		18,325	1,646
		249,858	169,054
Net current assets		544,197	391,942
Total assets less current liabilities		596,511	426,751

	(Unaudited) 30 September 2015 <i>Notes</i> <i>HK\$'000</i>	(Audited) 31 March 2015 <i>HK\$'000</i>
Non-current liabilities		
Convertible notes	19,290	19,290
Other long-term liability	17,786	17,786
Deferred tax liabilities	4,380	4,380
	41,456	41,456
NET ASSETS	555,055	385,295
CAPITAL AND RESERVES		
Share capital	36,422	18,211
Reserves	496,826	348,330
Total equity attributable to owners of the Company	533,248	366,541
Non-controlling interests	21,807	18,754
TOTAL EQUITY	555,055	385,295



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2015

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 2015	18,211	342,030	(3,637)	8,353	7,127	1,214	8,769	48	(15,574)	386,541	18,754	385,295
Change in equity for the period:												
Issue of shares	18,211	163,902	-	-	-	-	-	-	-	182,113	-	182,113
Share issue expenses	-	(5,353)	-	-	-	-	-	-	-	(5,353)	-	(5,353)
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(10,080)	(10,080)	3,084	(6,996)
Other comprehensive income/(loss)	-	-	-	27	-	-	-	-	-	27	(31)	(4)
At 30 September 2015	36,422	500,579	(3,637)	8,380	7,127	1,214	8,769	48	(25,654)	533,248	21,807	555,055
At 1 April 2014	2,980	181,393	(3,637)	7,896	7,750	1,925	6,673	48	(51,628)	153,400	24,360	177,760
Change in equity for the period:												
Issue of shares	8,938	80,447	-	-	-	-	-	-	-	89,385	-	89,385
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(6,485)	(6,485)
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(11,796)	(11,796)	2,524	(9,272)
Other comprehensive income/(loss)	-	-	-	1	-	-	-	-	-	1	(5)	(4)
At 30 September 2014	11,918	261,840	(3,637)	7,897	7,750	1,925	6,673	48	(63,424)	230,990	20,394	251,384

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	For the six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000
Net cash (used in)/generated from operating activities	(11,424)	4,490
Net cash generated from/(used in) investing activities	32,810	(5,849)
Net cash generated from financing activities	167,150	64,019
Increase in cash and cash equivalents	188,536	62,660
Cash and cash equivalents at 1 April	182,953	99,647
Effect of foreign exchange rate changes	(4)	(106)
Cash and cash equivalents at 30 September	371,485	162,201
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	371,485	162,201





Notes:

1. Basis of preparation and significant accounting policies

The results have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, which collective term include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. They have been prepared under historical cost basis, except that the financial instruments classified as financial assets at fair value through profit or loss are stated at their fair values. The principal accounting policies used in the preparation of the results are consistent with those adopted in the preparation of the annual report of the Group for the year ended 31 March 2015.

2. Turnover and segment information

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

An analysis of the Group's turnover and operating results for the six months ended 30 September 2015 by business segments is as follows:

	For the six months ended 30 September 2015					Total HK\$'000
	Distribution sale of cosmetic and skin care products HK\$'000	Investment in securities HK\$'000	Provision of beauty and slimming services HK\$'000	Franchise operations HK\$'000	Sale of health, beauty and related products HK\$'000	
Reportable segment revenue from external customers	741,082	—	34,935	7,500	791	784,308
Reportable segment results	12,071	15,651	(8,696)	(1,820)	(188)	17,018
Unallocated corporate expenses						(12,134)
Unallocated corporate other revenue						11,914
Loss from operations						16,798
Finance costs						(935)
Share of loss of joint ventures						(2,068)
Loss before taxation						13,795
Income tax expense						(20,791)
Loss for the period						(6,996)

For the six months ended 30 September 2014

	Distribution sale of cosmetic and skin care products HK\$'000	Investment in securities HK\$'000	Provision of beauty and slimming services HK\$'000	Franchise operations HK\$'000	Sale of health, beauty and related products HK\$'000	Total HK\$'000
Reportable segment revenue from external customers	666,544	—	22,116	11,947	392	700,999
Reportable segment results	10,460	—	(18,161)	(1,875)	9	(9,567)
Unallocated corporate expenses						(4,530)
Unallocated corporate other revenue						11,461
Loss from operations						(2,636)
Finance costs						(2,006)
Share of loss of joint ventures						(1,217)
Loss before taxation						(5,859)
Income tax expense						(3,413)
Loss for the period						(9,272)

3. (Loss)/profit before taxation

(Loss)/profit before taxation is stated after crediting and charging the followings:

	For the six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000
Crediting		
Interest income	65	246
Charging		
Depreciation of property, plant and equipment	3,087	3,136
Operating lease rentals: minimum lease payments		
— property rentals	15,734	12,298
Interest on bank loans	735	1,206
Interest on convertible notes	200	800





4. Income tax expense

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 September 2015. No provision for Hong Kong Profits Tax is made for the three months and six months ended 30 September 2014 as the Companies in the Group either have sustained tax losses or have no assessable profits for Hong Kong Profits Tax purpose. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in relevant countries.

Taxation in the consolidated statement of profit or loss (unaudited) represents:

	For the six months ended 30 September	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax	16,680	—
PRC enterprise income tax	4,111	3,413
	<hr/>	<hr/>
	20,791	3,413
	<hr/>	<hr/>

5. Loss per share

The calculation of basic loss per share for the three months and six months ended 30 September 2015 are based on the unaudited loss attributable to owners of the Company of approximately HK\$102,049,000 and HK\$10,080,000 respectively (2014: loss of approximately HK\$6,689,000 and loss of approximately HK\$11,796,000 respectively) and on the weighted average number of approximately 1,939,905,690 shares and 1,880,845,330 shares respectively (three months and six months ended 30 September 2014: on the weighted average number of approximately 695,222,500 shares).

The diluted loss per share for the three months and six months ended 30 September 2015 and 2014 is the same as the basic loss per share as the assumed exercise of the outstanding share options and convertible notes has anti-dilutive effect.

6. Property, plant and equipment

	(Unaudited) 30 September 2015 HK\$'000	(Unaudited) 30 September 2014 HK\$'000
Opening net book amount	29,581	32,626
Exchange adjustments	—	102
Additions	5,169	6,095
Disposals	(2,230)	—
Depreciation	(3,087)	(3,136)
Closing net book amount	29,433	35,687

7. Financial assets at fair value through profit or loss

	(Unaudited) 30 September 2015 HK\$'000	(Audited) 31 March 2015 HK\$'000
Listed equity securities held-for-trading at fair value in Hong Kong (Note)	38,926	95,400

Note:

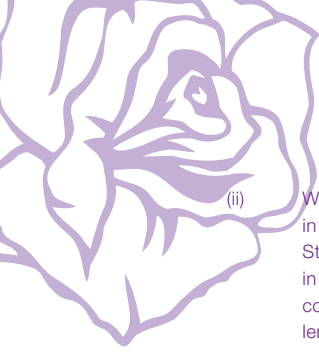
The fair value of listed equity securities are determined based on the quoted market closing price available on the relevant exchange at the end of the reporting period.

Particulars of the major components of the investment portfolio as at 30 September 2015, in terms of the carrying value of the respective individual investment, are as follows:

- (i) LEAP Holdings Group Limited ("LEAP Holdings"), which was incorporated in Cayman Islands with limited liabilities with its shares listed on the Main Board of the Stock Exchange (stock code: 1499). LEAP Holdings is principally engaged in provision of foundation works and ancillary services; and construction wastes handling at the public fill reception facilities managed by the Government in Hong Kong.

As at 30 September 2015, the Group held 30,000,000 shares (31 March 2015: Nil) in LEAP Holdings, representing approximately 1.31% (31 March 2015: 0%) in the issued share capital in LEAP Holdings. As at 30 September 2015, the market value of the Group's investment in the shares of LEAP Holdings was HK\$12,900,000 (31 March 2015: HK\$Nil).





(ii)

Wealth Glory Holdings Limited ("Wealth Glory Holdings"), which is incorporated in Cayman Islands with limited liabilities with its shares listed on the GEM of the Stock Exchange (stock code: 8269). Wealth Glory Holdings is principally engaged in manufacturing and selling of fresh and dried noodles; investment holding in coal trading business; trading of natural resources and commodities; and money lending.

As at 30 September 2015, the Group held 93,440,000 shares (31 March 2015: Nil) in Wealth Glory Holdings, representing approximately 3.41% (31 March 2015: 0%) in the issued share capital in Wealth Glory Holdings. As at 30 September 2015, the market value of the Group's investment in the shares of Wealth Glory Holdings was HK\$10,091,520 (31 March 2015: HK\$Nil).

However, the recent performance of the stock market in Hong Kong is very volatile and thus the fair value of the held-for-trading investments as at 30 September 2015 on 13 November 2015 has increased by approximately 10%. Looking ahead, the Board considers the performance of the equity securities may remain susceptible to external market conditions, therefore, the Board will maintain a diversified investment portfolio to cover a wider range of business sectors in order to avoid concentration risk and to keep the Group's investment in reasonably dispersed, and will maximize results to the shareholders of the Company under suitable market conditions.

8. Trade receivables

As at the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

	(Unaudited) 30 September 2015 HK\$'000	(Audited) 31 March 2015 HK\$'000
Neither past due nor impaired	138,196	120,425
Less than 1 month	38,883	11,749
1 to 2 months	2,114	744
More than 2 months but less than 4 months	12,398	2,700
More than 4 months but less than 12 months	2,041	959
More than 12 months	210	2,774
	55,646	18,926
	193,842	139,351

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

9. Trade payables

As at the end of the reporting period, the ageing analysis of trade payables is as follows:

	(Unaudited) 30 September 2015 <i>HK\$'000</i>	(Audited) 31 March 2015 <i>HK\$'000</i>
Due within 1 month or on demand	<u>92,144</u>	<u>51,758</u>

10. Related party transactions

No interest was paid for the amount due to Dr. Cheung Yuk Shan, Shirley, a director of the Company, for the six months ended 30 September 2015 (2014: Nil).

Convertible notes interest, amounting to HK\$200,000 (2014: HK\$200,000), was payable to Dr. Cheung Yuk Shan, Shirley, a director of the Company, for the six months ended 30 September 2015.





INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2015 (2014: Nil).

MAJOR EVENTS

- (a) On 12 June 2015, Creative Time Investments Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with an individual third party (the “Vendor”) for the acquisition of the entire equity interest in I Pro Skin Care Centre Limited (“iPro”) and all debts owed by iPro to the Vendor for a cash consideration of HK\$18,000,000. iPro is a company incorporated in Hong Kong with limited liability and is principally engaged in the operation of a beauty centre for the provision of slimming and beauty services in Hong Kong.
- (b) On 7 July 2015, the Company announced to propose to increase the authorised share capital of the Company to HK\$100,000,000 divided into 10,000,000,000 Shares.

On 7 July 2015, the Company further announced to propose to raise not less than approximately HK\$182.1 million but not more than approximately HK\$185.1 million, before expenses, by way an open offer of not less than 1,821,135,954 Offer Shares and not more than 1,850,955,954 Offer Shares at a subscription price of HK\$0.10 per Offer Share on the basis of one (1) Offer Shares for every one (1) Share held on the Record Date.

The Open Offer has been successfully completed. Dealings in the Offer Shares, in the fully paid form, have been commenced on the Exchange at 9:00 a.m. on 29 September 2015.

Further details of the Open Offer have been disclosed in the announcements of the Company dated 7 July 2015, 23 July 2015, 31 July 2015, 18 August 2015, 19 August 2015 and 24 September 2015, the circular of the Company dated 31 July 2015 and the prospectus of the Company dated 31 August 2015.

EVENTS AFTER THE REPORTING PERIOD

- (a) On 23 October 2015, the Acquisition was completed in accordance with the terms and conditions of the Formal Agreement.

Further details of the Acquisition have been disclosed in the announcements of the Company dated 8 May 2015 and 23 October 2015.

- (b) Subsequent to the end of the reporting period, the Group sold part of its equity securities held as at 30 September 2015 at approximately HK\$17,515,000 resulting in a fair value net gain on financial assets at fair value through profit or loss of approximately HK\$551,000 to be recognised in the next reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 September 2015 (the “Period Under Review”), the Group’s turnover amounted to approximately HK\$784,308,000, representing an increase of 12% from approximately HK\$700,999,000 in the corresponding period in last year. Such increase was mainly due to the remarkable growth in the distribution sales of our Shanghai Dong Fang Ri Hua Sales Co. Ltd. (“Dong Fang”). During the Period Under Review, turnover from the distribution business increased by 11% to approximately HK\$741,082,000, (2014: approximately HK\$666,544,000).

Notwithstanding the challenging market conditions encountered during the Period Under Review, the turnover generated from all our beauty, slimming and spa centres in both Hong Kong and in the People’s Republic of China (the “PRC”) amounted to approximately HK\$35,726,000 (2014: approximately HK\$22,508,000), representing an increase of 59% as compared to that of the corresponding period in last year. During the Period Under Review, the franchise co-operation business contributed HK\$7,500,000 turnover to the Group (2014: HK\$11,947,000).

During the Period Under Review, the Group recorded an increase of approximately HK\$13,329,000 in gross profit and has generated loss attributable to owners of the Company of approximately HK\$10,080,000 (2014: loss of approximately HK\$11,796,000). The decrease were mainly attributable to our new securities investment business, which bought along net change in fair value of financial assets at fair value through profit or loss of approximately HK\$14,690,000 for the Period Under Review (2014: Nil).





OUTLOOK

Beauty, Slimming and Spa Centres

The retail sector in Hong Kong showed meagre growth amidst unstable internal and external economic environments and our beauty, slimming and spa business in Hong Kong was unavoidably affected. Nevertheless the management remains confident of the prospects of the segment given our excellent service management that enables greater quality assurance. The provision of beauty and slimming services by our beauty, slimming and spa centres is targeted at the female population aged 20 to 59 in Hong Kong, which was shown to be continually on the increase and has reached 2,519,200 at the end of 2014 (provisional figure), accounting for 34.7% of the total population according to the statistics of the Census and Statistics Department. We believe there are greater potential to be unleashed from this business despite the turmoil in face.

Our provision of comprehensive high-quality beauty and slimming service in Hong Kong has earned the long-term favour of customers. The combination of procedure sophistication 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. Building on the above strengths, we believe the business will soon become a significant growth driver and made promising contribution to the Group again.

In the pursuit of excellence for its customers and to strengthen its leading market position in the beauty and slimming industry, the Group has introduced a number of innovative and sophisticated beauty, slimming and anti-ageing treatments and machineries. One of the highlights introduced was the “ThermaLift”. It is a technology that was developed to help the signs of ageing skin without surgery. This procedure is non-invasive and there is no “downtime” or recuperation required. The non-surgical facelift / browlift technology uses the most advanced dual mode pulsed light and radio-frequency energy source to produce a desired cosmetic or therapeutic effect without damaging skin. ThermaLift can safely treat wrinkles around the eyes, forehead, lower face and neck.

This technology is complemented by our introduction of the “Collagen Tri-peptide Refining Treatments” which represent a highly potent series of products used to smooth out wrinkles and increase firmness through boosting collagen synthesis and strengthening the skin matrix. This powerful blend contains nano-sized active ingredients that readily penetrate into the dermis layer of the skin for long-lasting smoothing, firming, clarifying and hydrating in all skin types. The results are particularly remarkable when the products are applied with the ThermaLift machine.

Our beauty and slimming business is supported by a strong network in the PRC. On the whole, the beauty and slimming industry is at the dawn of full development, given the ever increasing consumption power of people especially in the second and third tier cities, as well as rising aspiration for personal appearance and well-being among the Chinese consumers. The rise of the new affluent class and consumers' uplifting demand in China are seen as the main drivers behind the increasing consumption of high quality beauty and slimming products and services. Sophistication also marked the direction of development, with a multifarious range of products and services on the China market including beauty, body sculpting, cosmetics, image design, slimming and health management etc.

To capture the opportunities arising from the trend of market sophistication, we keep on focus on high-end products and services with more rosy prospects, so as to more fully leverage on the strengths of our brand name, Sau San Tong, that enjoys wide recognition, board-based clientele and strong reputation on the market. Over the years, we have successfully built our brand name in the PRC through strategically locating our beauty and slimming centres in prime locations to promote customer access, lavishing on the design and layout of our centres to create an upscale image, and heavily investing in the most advanced technologies and the training of professional beauty technicians. Our beauty and slimming centre in Sinan Mansion, Shanghai and our luxury beauty and slimming clubhouse in Shanghai Bund area both opened in 2013 have added impressive dynamics to our business in the PRC. These two centres are designed to indulge our customers with impeccable treatments and services provided by our stringently trained beauticians using our state-of-art equipment in a fantastic environment. In view of the anticipated strong demand for beauty, slimming and anti-ageing services and products in China where a larger portion of the population moves up the economic ladder, our established presence and reputation in the PRC market will definitely form valuable assets for our efforts to go seize a bigger piece of the high-end market with the view to establish a more sustainable growth and return.





Distribution Business in the PRC

Product distribution in the PRC is another core business of the Group alongside with the provision of slimming and beauty services. Dong Fang is the largest distributor of P&G products in East China Area, with a colossal presence in Jiangsu, Zhejiang and Shanghai. Its provision of high-quality products and services in the distribution of an extensive 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 East and West China along the years has helped to establish a solid reputation in the industry. Other household-known names in the portfolio of Dong Fang included Crest, Clairol, and Rejoice.

Health, Beauty and Related Products

The Group understands that a strong portfolio consisted of forerunning beauty and slimming products and services supported by the most advanced technologies is one of the fundamentals to our efforts to consolidate our leading market position and to enable our strategic move to the high-end market. Recently, a number of innovative products have been launched, including the Swiss-developed “PhytoCellTec™ Argan Stem Cell Dermal Anti Treatment”. Being the first skincare in the world proven to be effective in protecting and invigorating the stem cells in the dermis layer of the skin, this product series contains multiple stem cell ingredients to rejuvenate the skin, leaving it with less wrinkles, increased firmness and elasticity. Another star product was the “Haberlea Rhodopensis Skincare Series” that contains Haberlea Rhodopensis, or Resurrection Flower, which is known to survive up to several months of extreme hydration and return to life when proper moisture conditions are restored. Apart from restoring vital moisture to dry skin, this comprehensive skincare Series remarkably corrects the appearance of fine lines and wrinkles, helping to unveil a firmer, denser, sleeker & younger looking complexion.

Moving ahead, we will continue to source and develop new products and treatments supported by cutting-edge technologies and made with safe ingredients in order to cater to the needs of our customers. It is anticipated that the product sales segment will remain one major driver to steam the Group’s development in the future.

Franchise Co-operation Business in the PRC

The Group started venturing into the PRC market in 2004 upon seeing the immense potential of this new market. To succeed, we knew that we would need to establish our foothold in the industry and gain a considerable share of the market ahead of our counterparts, or in other words, in a relatively short period of time. The franchise co-operation model was considered a most suitable means to our ends, and it has enabled the Group to swiftly build an extensive network of franchise co-operate shops, capture a sizeable market size and establish a strong brand presence in the PRC upon its initial entry into the China market and over the years. In the future, we will continue to leverage on this successful business model and further expand our network of franchise co-operate beauty and slimming shops with the objective of further consolidating our brand presence and market position.

BeautyU Online Booking Platform

Determined to tap into the virgin market of internet selling in the beauty and slimming industry in PRC, we have launched BeautyU (www.beautyu.com), the first online beauty and slimming service booking platform in PRC in October 2012. This online shopping website was designed to free our customers from the annoyance of traditional exhausting hard-selling and prepayment practice, and was warmly welcomed by retail customers who wanted to make bookings online in accordance with their own needs. This platform of internet selling continued to perform well over the past years in terms of attracting retail customers, as well as soliciting beauty and slimming service providers to join. We believe the website will continue to be a valuable asset to the Group.

Securities Investments Business

In March 2015, the Group commenced a new business segment of investment in securities, which includes long-term and short-term investments in listed securities in Hong Kong and other recognised securities markets in the overseas as well as wealth management products purchased from banks and other financial institutions, with a view to enhancing the value of the shares of the Company and will therefore be in the interest of the Company and its shareholders as a whole. The Board is of the view that the securities investments business will diversify the income stream of the Group and broaden its revenue base. It is expected that the securities investments business may also improve the capital usage efficiency of the Company and generate additional investment returns on the idle funds of the Company.





CAPITAL RESOURCES AND LIQUIDITY

Cash and bank balances as at 30 September 2015 were approximately HK\$371,485,000 compared to approximately HK\$182,953,000 as at 31 March 2015. The Group's gearing ratio of 3.4% (31 March 2015: 8.2%) was based on the bank borrowings of approximately HK\$19,041,000 and the net assets of the Group of approximately HK\$555,055,000. As at 30 September 2015, the Group's liability was approximately HK\$291,314,000, compared to approximately 210,510,000 as at 31 March 2015. It includes account payables and other payables approximately HK\$186,902,000 (31 March 2015: approximately 122,073,000), mainly for the daily operations of our subsidiary — Dong Fang, deferred income approximately HK\$21,206,000 (31 March 2015: approximately HK\$11,708,000) and bank borrowings approximately HK\$19,041,000 (31 March 2015: approximately HK\$31,734,000), bank borrowings is also for Dong Fang trading activities. Such liability is intended to be financed by internal resources of the Group. The liquidity ratio of the Group represented by a ratio of current assets over current liabilities was 3.18:1 (31 March 2015: 3.32:1), reflecting the adequacy of financial resources. Since the Group's assets and liabilities, revenue and payments are mainly denominated in Hong Kong Dollars and Renminbi, the Group considers that there was no significant exposure to foreign exchange fluctuations.

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.

NET ASSETS

As at 30 September 2015, the Group's net assets amounted to approximately HK\$555,055,000 compared to approximately HK\$385,295,000 as at 31 March 2015. There are no charges on the Group's assets as at 30 September 2015.

CONTINGENT LIABILITIES

As at 30 September 2015, there were no material contingent liabilities.

EMPLOYEE INFORMATION

As at 30 September 2015, the Group had around 491 employees (2014: around 459 employees). During the Period Under Review, the Group's total staff costs amounted to approximately HK\$35,854,000 (2014: approximately HK\$34,020,000).

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 market in which the Group operates. In addition to the salary, the Group also offers to its employees other fringe benefits including mandatory provident fund and medical benefits. The Group has a share option scheme whereby qualified participants may be granted options to acquire shares of the Company. There is an aggregate of 34,659,099 outstanding options to subscribe for 34,659,099 shares of the Company pursuant to the share option scheme as at 30 September 2015.

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

As at 30 September 2015, the interests or short positions of the Directors and the chief executive of the Company or their respective associates in shares and underlying shares (the "Shares") of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and/or short positions which they are deemed or taken to have under such provisions of the SFO, or which will be required, pursuant to section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long position in shares of the Company

Name of Director	Number of shares			Approximate percentage of interest in the Company's issued share capital
	Corporate interests	Personal interests	Total	
Dr. Cheung Yuk Shan, Shirley	125,328,000 (Note)	161,290,800	286,618,800	7.87%
Mr. Cheung Ka Heng, Frankie	—	2,800,000	2,800,000	0.08%

Note: The 125,328,000 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 (Note 1)	Aggregate long position in underlying shares of the Company (Note 1)	Approximate percentage of interest in the Company's issued share capital
Mr. Cheung Ka Heng, Frankie	2 March 2011	2 March 2011 – 1 March 2016	HK\$0.282	4,689,999	0.13%

Notes:

1. The number of options and the subscription price per share have been adjusted for the Rights Issue on 26 September 2014 and the Open Offer on 25 September 2015.
2. The above interest constitutes a long position of the Director in a physically settled equity derivative for the purpose of the SFO.

Save as disclosed above, as at 30 September 2015, 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 corporations (within the meaning of Part XV of SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to the minimum standard of dealings by Directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, are required to be notified to the Company and the Exchange.

SHARE OPTION SCHEME

	Date of grant	Exercisable period	Subscription price per share HK\$ (Note)	At 1 April 2015 (Note)	Cancelled/ lapsed during the period	At 30 September 2015 (Note)
Directors	2 March 2011	2 March 2011 – 1 March 2016	0.282	4,666,666	–	4,689,999
Employees	2 March 2011	2 March 2011 – 1 March 2016	0.282	16,100,000	–	16,180,500
Suppliers/ consultants	22 February 2012	22 February 2012 – 21 February 2017	0.212	13,720,000	–	13,788,600
				34,486,666	–	34,659,099
Weighted average exercise price				HK\$0.2551		HK\$0.2542
Weighted average of remaining contractual life				1.31 years		0.81 year

Note: The numbers of options and the subscription price per share have been retrospectively adjusted for the Rights Issue on 26 September 2014 and the Open Offer on 25 September 2015.





SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2015, 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
Like Capital Limited (Note 1)	Beneficial owner	348,400,000	9.57%
Ethnocentric Investment Limited (Note1)	Interest in a controlled corporation	348,400,000	9.57%
Capital VC Limited (Note 1)	Interest in a controlled corporation	348,400,000	9.57%
China Mobile Games and Entertainment Group Ltd	Beneficial owner	341,952,000	9.39%

Note 1: Like Capital Limited is a company incorporated in Hong Kong with limited liability which is wholly owned by Ethnocentric Investment Limited, a company incorporated in the British Virgin Islands with limited liability, which is in turn wholly owned by Capital VC Limited, a company incorporated in the Cayman Islands and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 2324). As such, each of Ethnocentric Investment Limited and Capital VC Limited is deemed to be interested in all the 348,400,000 Share held by Like Capital Limited.

Save as disclosed above, as at 30 September 2015, no person, other than the Directors of the Company and the chief executive of the Group whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Position in Shares" above, had registered an interest or short position in the share capital, underlying shares and debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

COMPETING INTERESTS

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

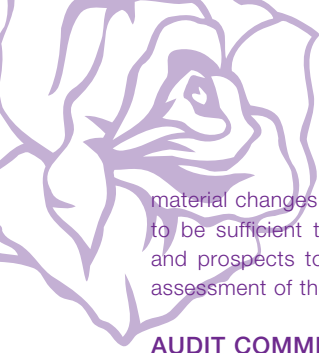
CORPORATE GOVERNANCE PRACTICES

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

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 Yuk Shan, Shirley ("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.

Code provision C.1.2 stipulates that the management shall provide all members of the board with monthly updates. Management considers that quarterly updates and periodic instant updates when developments arising out of the ordinary business instead of monthly updates are sufficient for the Board to discharge its duties. Besides, during the Period Under Review, the Executive Directors have provided, and will continue to provide, to all Independent Non-executive Directors updates on any





material changes to the position and prospects of the Company, which are considered to be sufficient to provide general updates of the Company's performance, position and prospects to the Board and allow them to give a balanced and understandable assessment of the same to serve the purpose required by the code provision C.1.2.

AUDIT COMMITTEE

The Group has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The audit committee comprises four Independent Non-Executive Directors, namely Mr. Hong Po Kui, Martin, Mr. Li Kuo Hsing, Ms. Hui Yat Lam and Ms. Chiu Kam Hing, Kathy. The audit committee has reviewed the unaudited financial results of the Group for the three months and six months ended 30 September 2015.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2015.

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

Hong Kong, 13 November 2015

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



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