



THIRD QUARTERLY REPORT

2016

第三季度業績報告

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## 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.*

## QUARTERLY RESULTS FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 DECEMBER 2016

The Board of Directors of the Company is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 31 December 2016 together with comparative figures of the corresponding period ended in 2015 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Turnover	2	<b>726,552</b>	490,466	<b>1,828,254</b>	1,289,464
Cost of sales		<b>(601,804)</b>	(424,735)	<b>(1,568,028)</b>	(1,131,805)
Gross profit		<b>124,748</b>	65,731	<b>260,226</b>	157,659
Other revenue	2	<b>2,342</b>	688	<b>4,834</b>	12,602
Selling and distribution costs		<b>(28,363)</b>	(25,393)	<b>(74,996)</b>	(70,821)
General and administrative expenses		<b>(28,077)</b>	(21,961)	<b>(84,756)</b>	(63,577)
Profit from operations		<b>70,650</b>	19,065	<b>105,308</b>	35,863
Finance costs		<b>(845)</b>	(568)	<b>(2,132)</b>	(1,503)
Share of losses of joint ventures		—	(1,053)	—	(3,121)
Profit before taxation		<b>69,805</b>	17,444	<b>103,176</b>	31,239
Income tax expense	3	<b>(9,755)</b>	(6,642)	<b>(17,900)</b>	(27,433)
Profit for the period		<b>60,050</b>	10,802	<b>85,276</b>	3,806
Profit/(loss) attributable to:					
Owners of the Company		<b>55,933</b>	8,046	<b>74,995</b>	(2,034)
Non-controlling interests		<b>4,117</b>	2,756	<b>10,281</b>	5,840
Profit for the period		<b>60,050</b>	10,802	<b>85,276</b>	3,806
		<i>HK cents</i>	<i>HK cents</i> (Restated)	<i>HK cents</i>	<i>HK cents</i> (Restated)
Earnings/(loss) per share	4				
Basic		<b>3.07</b>	0.44	<b>4.12</b>	(0.11)
Diluted		<b>2.97</b>	0.43	<b>3.98</b>	N/A

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

	For the three months ended 31 December		For the nine months ended 31 December	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Profit for the period	60,050	10,802	85,276	3,806
<b>Other comprehensive income/(loss) for the period:</b>				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
— Exchange differences on translation of financial statements of foreign operations, net of nil tax	15	18	(45)	14
<b>Total comprehensive profit/(loss) for the period</b>	<b>60,065</b>	<b>10,820</b>	<b>85,231</b>	<b>3,820</b>
Attributable to:				
Owners of the Company	56,037	8,087	75,178	(1,966)
Non-controlling interests	4,028	2,733	10,053	5,786
	<b>60,065</b>	<b>10,820</b>	<b>85,231</b>	<b>3,820</b>

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 2016.



## 2. Turnover and other revenue

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; franchise fees income; net gains or losses on financial assets at fair value through profit or losses and provision of money lending service. The amount of each significant category of revenue recognised in turnover during the period is as follows:

	For the nine months ended	
	31 December	
	2016	2015
	HK\$'000	HK\$'000
<b>Turnover</b>		
Distribution sale of cosmetic and skin care products	1,621,457	1,184,892
Provision of beauty and slimming services	70,731	51,338
Provision of franchise services	10,336	11,508
Sale of health, beauty and related products	1,401	1,693
Realised gains on financial assets at fair value through profit or loss	49,790	120,398
Net unrealised gains/(losses) on financial assets at fair value through profit or loss	70,587	(80,365)
Provision of money lending service	3,952	—
	<hr/>	<hr/>
	1,828,254	1,289,464
<b>Other revenue</b>		
Referral fee income	1,637	4,545
Management fee income	818	2,273
Interest income	82	96
Others	2,297	5,688
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	4,834	12,602
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### 3. Income tax expense

The Provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the nine months ended 31 December 2016 and for the nine months ended 31 December 2015. 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 nine months ended	
	31 December 2016	2015
	HK\$'000	HK\$'000
Hong Kong profits tax	9,681	19,866
PRC enterprise income tax	8,219	7,567
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	17,900	27,433
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#### 4. Earnings/(loss) per share

	For the three months ended		For the nine months ended	
	31 December		31 December	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)
<b>Earnings/(loss)</b>				
Profit/(loss) attributable to owners of the Company, used in the basic earnings/(loss) per share calculation	55,933	8,046	74,995	(2,034)
Interest on convertible note	88	100	288	
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Profit attributable to owners of the Company, used in the diluted earnings per share calculation	56,021	8,146	75,283	
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<b>Shares</b>				
Weighted average number of ordinary shares in issue, used in the basic earnings/(loss) per share calculation	1,821,135,954	1,821,135,954	1,821,135,954	1,821,135,954
Effect of conversion of convertible note	64,737,850	73,529,411	70,588,234	
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Weighted average number of ordinary shares in issue, used in the diluted earnings per share calculation	1,885,873,804	1,894,665,365	1,891,724,188	
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The assumed exercise of the outstanding share options has anti-dilutive effect and has therefore been excluded from the calculation of the diluted earnings per share for the three months and nine months ended 31 December 2016 and for the three months ended 31 December 2015.

The diluted loss per share for the nine months ended 31 December 2015 is not presented as the assumed exercise of the outstanding share options and convertible notes has anti-dilutive effect.

## 5. Consolidated statement of changes in equity

	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/ Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
<b>At 1 April 2016</b>	36,422	499,097	(3,637)	5,963	4,170	1,214	11,033	48	(16,403)	537,907	14,376	552,783
<b>Change in equity for the period:</b>												
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(8,817)	(8,817)
Maturity of convertible note	—	—	—	—	—	(1,214)	—	—	1,214	—	—	—
Profit for the period	—	—	—	—	—	—	—	11,571	74,995	86,566	10,281	96,847
Other comprehensive income/(loss)	—	—	—	183	—	—	—	—	—	183	(228)	(45)
<b>At 31 December 2016</b>	36,422	499,097	(3,637)	6,146	4,170	—	11,033	11,619	59,806	624,656	16,112	640,768
<b>At 1 April 2015</b>	18,211	342,030	(3,637)	8,353	7,127	1,214	8,769	48	(15,574)	366,541	18,754	385,295
<b>Change in equity for the period:</b>												
Issue of shares	18,211	163,902	—	—	—	—	—	—	—	182,113	—	182,113
Share issue expenses	—	(6,644)	—	—	—	—	—	—	—	(6,644)	—	(6,644)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(9,815)	(9,815)
(Loss)/profit for the period	—	—	—	—	—	—	—	—	(2,034)	(2,034)	5,840	3,806
Other comprehensive income/(loss)	—	—	—	69	—	—	—	—	—	69	(55)	14
<b>At 31 December 2015</b>	36,422	499,288	(3,637)	8,422	7,127	1,214	8,769	48	(17,608)	540,045	14,724	554,769





## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2016 (2015: Nil).

## MAJOR EVENTS

- (a) On 22 August 2016, the Company announced to propose to implement the share consolidation on the basis that every two (2) issued and unissued shares of HK\$0.01 each will be consolidated into one (1) consolidated Share of HK\$0.02 each ("Share Consolidation").

The Share Consolidation has been completed and became effective on 23 September 2016.

Further details of the Share Consolidation have been disclosed in the announcements of the Company dated 22 August 2016, 5 September 2016 and 22 September 2016 and the circular of the Company dated 5 September 2016.


- (b) On 29 August 2016, Sau San Tong Holdings Inc., a wholly owned subsidiary of the Company, entered into a sales and purchase agreement ("SP Agreement") with an individual third party for the disposal of 25% of the issued shares of one of its wholly owned subsidiary. The SP Agreement have been fulfilled and Completion took place on 14 September 2016 in accordance with the terms and conditions of the SP Agreement.

Further details of the transactions have been disclosed in the announcements of the Company dated 29 August 2016 and 14 September 2016.

- (c) On 26 May 2016, Silver Ally International Limited, a wholly owned subsidiary of the Company entered into the provisional agreement with an independent third party for the acquisition of the property at a consideration of approximately HK\$41 million. On 28 September 2016, the acquisition of this property was completed in accordance with the terms and conditions of the formal agreement.

Further details of the acquisition of this property have been disclosed in the announcements of the Company dated 26 May 2016 and 28 September 2016.

- (d) On 2 December 2016, the Company announced to propose to increase the authorised share capital of the Company to HK\$400,000,000 divided into 20,000,000,000 Shares. The increase became effective on 23 January 2017.



On 2 December 2016, the Company further announced to propose to raise not less than approximately HK\$364.2 million but not more than approximately HK\$365.6 million, before expenses, by way an Rights Issue of not less than 3,642,271,908 Rights Shares and not more than 3,656,060,508 Rights Shares at a subscription price of HK\$0.10 per Rights Share on the basis of two (2) Rights Shares for every one (1) Share held on the Record Date.

Further details of the Rights Issue have been disclosed in the announcements of the Company dated 2 December 2016, 23 January 2017 and 24 January 2017, the circular of the Company dated 5 January 2017 and the prospectus of the Company dated 9 February 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the nine months ended 31 December 2016 (the “Period Under Review”), the Group’s turnover amounted to approximately HK\$1,828,254,000, representing an increase of 42% from approximately HK\$1,289,464,000 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 37% to approximately HK\$1,621,457,000 (2015: approximately HK\$1,184,892,000).

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\$70,731,000 (2015: approximately HK\$51,338,000), representing an increase of 38% as compared to that of the corresponding period in last year. During the Period Under Review, the franchise co-operation business contributed approximately HK\$10,336,000 turnover to the Group (2015: approximately HK\$11,508,000).

During the Period Under Review, the Group commenced a new business segment of provision of money lending services which contributed HK\$3,952,000 to the turnover of the Group.

During the Period Under Review, the Group recorded an increase of approximately HK\$102,567,000 in gross profit and has generated profit attributable to owners of the Company of approximately HK\$74,995,000 (2015: loss of approximately HK\$2,034,000). The increase in gross profit and turnaround from loss to profit were mainly attributable to our securities investment business, which brought a total of HK\$120,377,000 (2015: HK\$40,033,000) realised gains and net unrealised gains on financial assets at fair value through or loss for the Period Under Review.



## OUTLOOK

### Beauty, Slimming and Spa Centres

Aggravated by the weak consumption under a sluggish economy in Hong Kong and decelerating economic growth in the PRC, as well as other negative factors such as increasing costs of sales, rising salaries and inflating rentals, the beauty, slimming and spa business was unavoidably affected to some extent in the Period Under Review. Despite that, the Group well performed as it successfully brought its fundamental advantages to the full play to resist the industry cold snap under the outstanding leadership of the management. This was a tremendous encouragement to the Group amidst the severe business environment at the present and testified to the solid strengths of the Group.

The Group has a long history in the operation of beauty, slimming and spa centres in Hong Kong and the PRC. With extensive experience in the industry and committed efforts for innovations, the Group has continuously introduced sophisticated services and products of the highest quality for its customers, winning the long-term favour of its customers for its beauty and slimming products and services while successfully establishing brand advantages and customer loyalty. To further fortify its leading position in the industry, the Group has introduced a number of new beauty, slimming and anti-ageing treatments and machineries from time to time.

Recently, the Group has introduced the INDIBA slimming and beauty treatment. Originated in Spain, this treatment adopted the core INDIBA technology that was found to generate sound results in numerous areas including medical care, sports rehabilitation, beauty and body contouring since the eighties of the last century and was used for medical treatments in Europe at first. After years of development, INDIBA has obtained the CE and JFDA certifications and was honoured with a nomination for the Nobel Prize, gold award at the Geneva International Exhibition of Inventions, gold award at the Madrid International Exhibition of Inventions and other awards. It has become a beauty and slimming project enjoying vast possibilities in terms of applications. INDIBA uses 448kHz radiofrequency to balance the electrolyte levels of the cells, nourish and revitalise the cells. At the same time, it uses the transmission of physical electricity to the cells to load them with positive and negative charges, in order to increase the movement and rubbing between the cells to achieve deep heating that will in turn promotes the circulation of blood and lymph, improve the quality of the body and enhance health. When used for slimming, INDIBA attains remarkable results in body contouring, eliminating oedema and cellulite tissue, and increasing skin elasticity. When used on the face and eyes, INDIBA can improve the healing power of the cells, tighten and lift, fight against aging, moisturise and stimulate collagen production. To look after the skin characteristics of Asian ladies and to cater for the different reactions of different body parts, Sau San Tong has developed a targeted and effective treatment by combining INDIBA with customised complementary treatments. Our customers have been eagerly looking forward to experience our INDIBA slimming and beauty treatment upon the introduction by the Group.



Being a leader in the slimming sector in Hong Kong, the Group is committed to helping its customers to regain health and beauty and has introduced many other slimming treatments, including I-lipo Ultra from the United Kingdom. This treatment combines the biolaser targeted fat-melting technology with vacuum suction technology to focus on melting the fat in the 9mm subcutaneous fat region of and then remove them from the body through the lymphatic system after metabolism. As a result, fat is removed from the body de facto to sculpt the body shape. In addition, biolaser can also promote collagen production to effectively improve stretch marks, whereas vacuum suction can increase blood circulation, enhance lymphatic detoxification, fortify cellulite tissues and improve skin elasticity.

Another treatment called RadioDerm, on the other hand, combines multipolar radiofrequency with red photons to catabolise fat and invigorate the regenerating power of skin, stimulate the production of collagen and enhance the skin texture to improve the silhouette for slimming and body contouring effects. In addition to radiofrequency and red photons, Magic Line treatment also uses vacuum technologies to accelerate the elimination of body fat after it is being catabolized. This is a noninvasive procedure requiring no “downtime” and can attain outstanding results for our customers in a short period of time.

As the first listed beauty and slimming company in Hong Kong, the Group has consistently uphold the principles of quality products, professional services and honest operation. Backed by the strengths of the brand, the Group has won numerous awards over the years and enjoys sound reputation in Hong Kong, Macau and the PRC. It has preserved the outstanding record of “zero complaint” and was strongly trusted by its customers. With increasingly intensive market competition, some industry players have resorted to all possible means including dishonest sales methods to secure their market shares. Coupled with various beauty and slimming incidents during recent years and seriously weak and outdated government supervision, customer confidence has been impaired. This, however, has at the same time encouraged the customer demand for quality beauty and slimming services, enabling the remarkable increase in the turnover from the beauty, slimming and spa centres of the Group in the Period Under Review, proving the market’s recognition for the quality products and services provided by the Group. Maintaining the strategy of winning with quality, the Group will continue to leverage on its professional and outstanding beauty and slimming technologies, bring its brand visibility to the full play, and operate with honest and honour, in order to win over the consumers’ trust, secure a wider business coverage in the high-end market and thereby realise sustainable growth and return.



## Distribution Business in the PRC

Product distribution in the PRC is another core business of the Group and is carried out by the Group's subsidiary, Dong Fang. Dong Fang is one of the top three distributors of P&G in the greater China in terms of average sales in the PRC, and is the top distributor in the East China area. It is responsible for the overall distribution coverage in the Shanghai region and provides supply and sales services to its customers via various channels, including electrical appliances merchants, department stores channel, local modernised retail malls, supermarkets, small-sized supermarkets, convenient stores, maternity stores and cosmetic stores headquartered or regionally headquartered in Shanghai. Products involved include OLAY skincare, Head & Shoulders, Vidal Sassoon, Pantene, Rejoice, Pampers, Crest, Safeguard, Whisper, Ariel, Oral-B and Gillette. Moreover, the Company is responsible for the SK-II business in East and West China areas, covering Shanghai city, Zhejiang Province, Jiangsu Province, Anhui Province, Henan Province, Shanxi Province, Sichuan Province and Chongqing city (8 provinces and cities in total), representing a market share of 46% in China mainland.

## Health, Beauty and Related Products

The Group spares no efforts in keeping itself abreast of time and marching at the forefront of the market. Through heavily investing in the development and introduction of products embedding advanced technologies and safe ingredients to enrich its portfolio of health and beauty products, the Group targets to bring to its customers a wider array of sophisticated product choices. This will in turn further enhance the attraction of the brand name Sau San Tong and ensure the Group's leading market position.

Going forward, the Group will continue to launch different safe and effective products that meet the different needs of its customers, helping them to achieve beauty in a healthy way. We believe that the segment of distribution of health and beauty products will continue to make a stable contribution to the Group's results in the time ahead.

## Franchise Co-operation Business in the PRC

Building on its successful business in Hong Kong and a strong brand visibility, the Group started venturing into the enormous market in the PRC back in early 2004 and effectively laid a solid foundation in the beauty and slimming industry in China ahead of its counterparts, reaping a sizeable market share. Envyng the outstanding achievement of "Sau San Tong", competitors, imitators and even fakers began to spring up like mushroom on the PRC market where the entry barrier to the industry was relatively low. To tackle the situation, apart from establishing high-end flagship centres in China to help clearly identify ourselves, the Group specially combined the name of our founder, Dr. Cheung Yuk Shan, Shirley with its brand name to form the new brand of "張玉珊修身堂" to establish the uniqueness of the brand, using it to fully explore the PRC market while letting the market and consumer more easily distinguish the genuine "Sau San Tong" brand

and its inherent quality and professional products and services, protecting the consumers' rights. The rapid growth in the number of franchise co-operation shops also put “張玉珊修身堂” on the top position in the beauty and slimming industry in China.

### **BeautyU Online Booking Platform**

Following its successful establishment of a huge franchise co-operation business in China, the Group once again stepped ahead of its competitors in launching “BeautyU” ([www.beautyu.com](http://www.beautyu.com)) in 2012, an online beauty and slimming service booking platform, through which its customers can conveniently and easily order products and make appointments for different services. This platform out of the traditional hard-selling and prepayment business model was warmly welcomed by the retail customers of the Group. Moreover, this platform also functions as a channel to solicit beauty and slimming service providers to join, helping to propel the Group's business in the PRC.

### **Securities Investments Business**

As a move to expand its diversified business, the Group has commenced the new segment of securities investments business in March 2015 to put the idle funds of the Company into long- 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 generate additional income outside its retail business, to widen its revenue base and minimise the risks of the Group on the overall, in order to enhance the capital use of the Company as well as the interests of the Company and its shareholders on the overall.

### **Money Lending Business**

In May 2016, the Group commenced another new business segment of provision of money lending services. The Group provided both secured and unsecured loans with terms ranging from several months to 1 year. For unsecured loans, the Group's targeted corporations and individuals are small to medium sized corporations which include both listed and non-listed corporations and businessmen in various industries. For secured loans, the Group's targeted corporations and individuals are those with properties for mortgage.

The Board is of the view that the money lending business will diversify the income stream of the Group and broaden its revenue base in order to enhance the capital use of the Company as well as the interests of the Company and its shareholders on the overall.



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

As at 31 December 2016, 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	62,664,000 <i>(Note)</i>	80,645,400	143,309,400	7.87%

*Note:* The 62,664,000 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 Director and the chief executive of the Company under the Company's share option scheme, details of which are as follows:

Name of director/ chief executive	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. Mui Wai Sum	10 March 2016	10 March 2016 – 9 March 2021	HK\$0.132	18,211,359	1.00%
Ms. Kwan Fei Ying	10 March 2016	10 March 2016 – 9 March 2021	HK\$0.132	18,211,359	1.00%

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

Save as disclosed above, as at 31 December 2016, 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 and the chief executive 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 2016 (Note)	Cancelled/ lapsed during the period	At 31 December 2016 (Note)
Directors	10 March 2016	10 March 2016 – 9 March 2021	0.132	18,211,359	–	18,211,359
Chief Executive Officer	10 March 2016	10 March 2016 – 9 March 2021	0.132	18,211,359	–	18,211,359
Suppliers/consultants	22 February 2012	22 February 2012 – 21 February 2017	0.424	6,894,300	–	6,894,300
				43,317,018	–	43,317,018

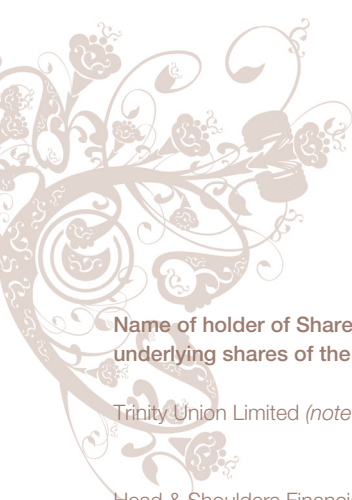
*Note:* The numbers of options and the subscription price per share have been retrospectively adjusted for the Share Consolidation on 23 September 2016, the Open Offer on 25 September 2015 and the Right Issue on 26 September 2014.

## SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at the 31 December 2016, according to the register kept by the Company pursuant to section 336 of the SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any other member of the Group:

**Long positions in shares, underlying share and debentures of the Company or its associated corporations:**

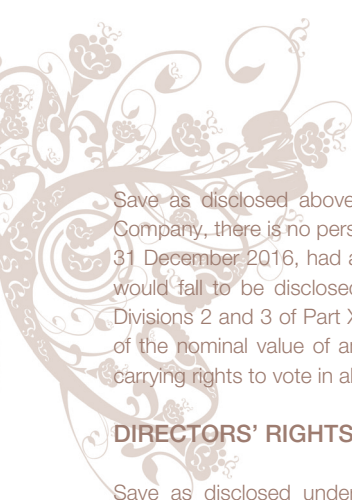
Name of holder of Shares/ underlying shares of the Company	Capacity	Number of shares and/or underlying shares of the Company held	Approximate percentage of the total issued share capital of the Company
Gransing Securities Co., Limited (note ii)	Other	500,000,000	9.15% (note v)
Gransing Financial Holdings Limited (note ii)	Interest of a controlled corporation	500,000,000	9.15% (note v)
Kwok Shun Tim (note ii)	Interest of a controlled corporation	500,000,000	9.15% (note v)
Yip Nga Wan (note ii)	Interest of spouse	500,000,000	9.15% (note v)
Head & Shoulders Securities Limited (note iii)	Other	422,271,908	7.73% (note v)
Master Gold Limited (note iii)	Interest of a controlled corporation	422,271,908	7.73% (note v)



Name of holder of Shares/ underlying shares of the Company	Capacity	Number of shares and/or underlying shares of the Company held	Approximate percentage of the total issued share capital of the Company
Trinity Union Limited ( <i>note iii</i> )	Interest of a controlled corporation	422,271,908	7.73% ( <i>note v</i> )
Head & Shoulders Financial Group Limited ( <i>note iii</i> )	Interest of a controlled corporation	422,271,908	7.73% ( <i>note v</i> )
Endless Source Limited ( <i>note iii</i> )	Interest of a controlled corporation	422,271,908	7.73% ( <i>note v</i> )
Mr. Choi Chiu Fai Stanley ( <i>note iii</i> )	Interest of a controlled corporation	422,271,908	7.73% ( <i>note v</i> )
Ms. Cheung Fung Kuen Maggie ( <i>note iii</i> )	Interest of a controlled corporation	422,271,908	7.73% ( <i>note v</i> )
Like Capital Limited ( <i>note iv</i> )	Beneficial owner	173,400,000	9.52% ( <i>note i</i> )
Ethnocentric Investment Limited ( <i>note iv</i> )	Interest of a controlled corporation	173,400,000	9.52% ( <i>note i</i> )
Capital VC Limited ( <i>note iv</i> )	Interest of a controlled corporation	173,400,000	9.52% ( <i>note i</i> )
China Mobile Games and Entertainment Group Limited	Beneficial owner	170,976,000	9.39% ( <i>note i</i> )
Yau Chung Chung	Beneficial owner	134,600,000	7.39% ( <i>note i</i> )

Notes:

- (i) The percentage holding is calculated based on the issued share capital of the Company of 1,821,135,954 Shares as at the 31 December 2016.
- (ii) Based on the notices of disclosure of interest filed by Gransing Financial Holdings Limited, Gransing Securities Co., Limited, Mr. Kwok Shun Tim and Ms. Yip Nga Wan on 7 December 2016, the 500,000,000 Shares were held by Gransing Securities Co., Limited, which was wholly owned by Gransing Financial Holdings Limited. Mr. Kwok Shun Tim owns 72.99% interest in Gransing Financial Holdings Limited and Ms. Yip Nga Wan is the spouse of Mr. Kwok Shun Tim. Accordingly, each of Gransing Financial Holdings Limited, Mr. Kwok Shun Tim, and Ms. Yip Nga Wan was deemed to be interested in 500,000,000 Shares held by Gransing Securities Co., Limited.
- (iii) Based on the notice of disclosure of interest filed by each of Head & Shoulders Securities Limited, Master Gold Limited, Trinity Union Limited, Head & Shoulders Financial Group Limited, Endless Source Limited, Mr. Choi Chiu Fai Stanley and Ms. Cheung Fung Kuen Maggie on 8 December 2016, the 422,271,908 Shares were held by Head & Shoulders Securities Limited ("HS"), which was wholly owned by Master Gold Limited ("MG"). MG was wholly owned by Head & Shoulders Financial Group Limited ("HSFG") through Trinity Union Limited whereas Endless Source Limited ("ESL") held 100% interests in HSFSG. ESL was owned as to 50% by Mr. Choi Chiu Fai Stanley and as to 50% by Ms. Cheung Fung Kuen Maggie. Under the SFO, each of MG, Trinity Union Limited, HSFSG, ESL, Mr. Choi Chiu Fai Stanley and Ms. Cheung Fung Kuen was deemed to be interested in the 422,271,908 shares held by HS.
- (iv) 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 173,400,000 Shares held by Like Capital Limited pursuant to Part XV of the SFO.
- (v) The percentage holding is calculated based on the expected issued share capital of the Company as enlarged by the issue of Rights Shares under the Rights Issue comprising 5,463,407,862 Shares as detailed in the prospectus dated 9 February 2017.



Save as disclosed above and so far as is known to the Directors or chief executive of the Company, there is no person (other than a Director or chief executive of the Company) who, as at 31 December 2016, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying rights to vote in all circumstances at general meeting of any other member of the Group.

## **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 Period Under Review, except that:



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.

According to code provision E.1.2, the chairman of the Board of Directors should attend annual general meetings. The Chairman of the Board did not attend the annual general meeting for the year 2016 held on 30 September 2016 due to other business commitment. However, the other executive director, present at the annual general meeting who then took the chair of that meeting in accordance with Bye-Law 63 of the Bye-Laws of the Company.

## **AUDIT COMMITTEE**

The Group has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The audit committee comprises three Independent Non-Executive Directors, namely Mr. Hong Po Kui, Martin, Ms. Chiu Kam Hing, Kathy and Mr. Lau Wai Leung, Alfred. The audit committee has reviewed the unaudited financial results of the Group for the three months and nine months ended 31 December 2016.

## **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 nine months ended 31 December 2016.

On behalf of the Board  
**SAU SAN TONG HOLDINGS LIMITED**  
**Cheung Yuk Shan, Shirley**  
*Chairman*

Hong Kong, 10 February 2017

*As at the date of this report, the Board comprises Executive Directors namely Dr. Cheung Yuk Shan, Shirley (Chairman) and Mr. Mui Wai Sum; Non-Executive Director namely Mr. Takashi Togo; Independent Non- Executive Directors namely Mr. Hong Po Kui, Martin, Ms. Chiu Kam Hing, Kathy and Mr. Lau Wai Leung, Alfred.*



修身堂控股有限公司  
SAU SAN TONG HOLDINGS LIMITED

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