



INTERIM REPORT

2017

中期業績報告



修身堂控股有限公司 SAU SAN TONG HOLDINGS LIMITED Stock Code 股份代號: 8200

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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (the "Group") for the three months and six months ended 30 September 2017, together with the comparative figures of the corresponding period in 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Turnover	2	678,323	578,504	1,239,211	1,101,702
Cost of sales		(628,110)	(507,999)	(1,126,042)	(966,224)
Gross profit		50,213	70,505	113,169	135,478
Other revenue		3,011	(191)	3,867	2,492
Selling and distribution costs		(31,646)	(22,552)	(61,691)	(46,633)
General and administrative expenses		(21,310)	(29,264)	(47,210)	(56,679)
Profit from operations		268	18,498	8,135	34,658
Finance costs		(759)	(1,002)	(1,509)	(1,287)
Profit/(loss) before taxation	3	(491)	17,496	6,626	33,371
Income tax expense	4	(2,648)	(4,276)	(5,194)	(8,145)
Profit/(loss) for the period		(3,139)	13,220	1,432	25,226
Attributable to:					
Owners of the Company		(8,485)	9,784	(5,703)	19,062
Non-controlling interests		5,346	3,436	7,135	6,164
Profit/(loss) for the period		(3,139)	13,220	1,432	25,226
		HK cents	HK cents (restated)	HK cents	HK cents (restated)
Earnings/(loss) per share	5				
Basic		(0.16)	0.54	(0.10)	1.05
Diluted		N/A	0.52	N/A	1.02

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

	For the three months ended 30 September		For the six months ended 30 September	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period	(3,139)	13,220	1,432	25,226
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	(88)	(39)	8	(60)
Total comprehensive profit/ (loss) for the period	(3,227)	13,181	1,440	25,166
Attributable to:				
Owners of the Company	(8,463)	9,823	(5,552)	19,141
Non-controlling interests	5,236	3,358	6,992	6,025
	(3,227)	13,181	1,440	25,166

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30 September 2017 HK\$'000	(Audited) 31 March 2017 HK\$'000
	Note		
Non-current assets			
Property, plant and equipment	6	129,979	135,441
Investment property		8,001	8,001
Intangible assets		841	1,820
Goodwill		25,969	25,969
		164,790	171,231
Current assets			
Inventories		7,088	9,415
Financial assets at fair value through profit or loss	7	115,277	139,746
Trade receivables	8	309,363	246,444
Prepayments, deposits and other receivables		128,969	142,721
Loans receivable		51,500	59,921
Interest receivable		231	388
Amounts due from related parties		1,430	1,430
Cash and cash equivalents		543,088	522,045
		1,156,946	1,122,110
Current liabilities			
Bank loans		79,019	67,731
Trade payables	9	124,671	38,938
Other payables and accrued charges		89,768	130,449
Amount due to a director		335	20,338
Amounts due to related parties		37,308	37,308
Deferred income		14,209	23,189
Current tax payable		18,166	18,568
Other liabilities		19,237	19,237
		382,713	355,758
Net current assets		774,233	766,352
Total assets less current liabilities		939,023	937,583

	(Unaudited) 30 September 2017	(Audited) 31 March 2017
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Deferred tax liabilities	3,761	3,761
	3,761	3,761
NET ASSETS	935,262	933,822
CAPITAL AND RESERVES		
Share capital	109,268	109,268
Reserves	806,638	812,190
Total equity attributable to owners of the Company	915,906	921,458
Non-controlling interests	19,356	12,364
TOTAL EQUITY	935,262	933,822

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2017

	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 2017	109,268	778,605	(3,637)	(474)	2,222	–	13,691	11,611	10,172	921,458	12,364	933,822
Changes in equity for the period:												
(Loss)/profit for the period	–	–	–	–	–	–	–	–	(5,703)	(5,703)	7,135	1,432
Other comprehensive income/(loss)	–	–	–	151	–	–	–	–	–	151	(143)	8
At 30 September 2017	109,268	778,605	(3,637)	(323)	2,222	–	13,691	11,611	4,469	915,906	19,356	935,262
At 1 April 2016	36,422	499,097	(3,637)	5,963	4,170	1,214	11,033	48	(16,403)	537,907	14,876	552,783
Changes in equity for the period:												
Profit for the year	–	–	–	–	–	–	–	11,571	19,062	30,633	6,164	36,797
Other comprehensive income/(loss)	–	–	–	78	–	–	–	–	–	78	(138)	(60)
At 30 September 2016	36,422	499,097	(3,637)	6,041	4,170	1,214	11,033	11,619	2,659	568,618	20,902	589,520

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	For the six months ended 30 September	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Net cash (used in) operating activities	(18,970)	(44,898)
Net cash (used in)/generated from investing activities	21,582	(147,976)
Net cash generated from financing activities	18,423	65,844
<hr/>		
Increase/(decrease) in cash and cash equivalents	21,035	(127,030)
Cash and cash equivalents at 1 April	522,045	263,867
Effect of foreign exchange rate changes	8	(60)
<hr/>		
Cash and cash equivalents at 30 September	543,088	136,777
<hr/>		
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	543,088	136,777
<hr/>		

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 investment property and 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 2017.

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; 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 loss and provision of money lending service.

An analysis of the Group's turnover and operating results for the six months ended 30 September 2017 by business segments is as follows:

	For the six months ended 30 September 2017						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	Money lending service HK\$'000	
Reportable segment revenue	1,155,960	8,012	67,171	3,434	611	4,023	1,239,211
Reportable segment results	17,624	6,537	(5,486)	(4,941)	(232)	3,938	17,440
Unallocated corporate expenses							(13,172)
Unallocated corporate other revenue							3,867
Profit from operations							8,135
Finance costs							(1,509)
Profit before taxation							6,626
Income tax expense							(5,194)
Profit for the year							1,432

For the six months ended 30 September 2016

	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	Money lending service HK\$'000	Total HK\$'000
Reportable segment revenue	1,002,976	48,449	39,962	7,296	744	2,275	1,101,702
Reportable segment results	18,054	42,364	(126)	(4,645)	(114)	2,070	57,603
Unallocated corporate expenses							(25,437)
Unallocated corporate other revenue							2,492
Profit from operations							34,658
Finance costs							(1,287)
Profit before taxation							33,371
Income tax expense							(8,145)
Profit for the year							25,226

3. Profit/(loss) before taxation

	For the six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000
Crediting		
Bank Interest income	70	51
Other Interest income	240	—
<hr/>		
Charging		
Depreciation of property, plant and equipment	8,349	7,651
Operating lease rentals: minimum lease payments		
— property rentals	18,235	17,872
Interest on bank loans	1,508	1,087
Interest on convertible notes	—	200
<hr/>		

4. Income tax expense

The Provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 September 2017 and for the six months ended 30 September 2016. 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	
	2017 HK\$'000	2016 HK\$'000
Hong Kong profits tax	—	3,236
PRC enterprise income tax	5,194	4,909
<hr/>		
	5,194	8,145
<hr/>		

5. Earnings/(loss) per share

	For the three months ended 30 September		For the six months ended 30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings/(loss)				
Profit/(loss) attributable to owners of the Company, used in the basic earnings/(loss) per share calculation	(8,485)	9,784	(5,703)	19,062
Interest on convertible note	—	100	—	200
<hr/>				
Profit/(loss) attributable to owners of the Company, used in the diluted earnings per share calculation	(8,485)	9,884	(5,703)	19,262
<hr/>				
Shares				
Weighted average number of ordinary shares in issue, used in the basic earnings/(loss) per share calculation	5,463,407,862	1,821,135,954	5,463,407,862	1,821,135,954
Effect of conversion of convertible note	—	73,529,411	—	73,529,411
<hr/>				
Weighted average number of ordinary shares in issue, used in the diluted earnings/(loss) per share calculation	5,463,407,862	1,894,665,365	5,463,407,862	1,894,665,365
<hr/>				

The assumed exercise of the outstanding share options has anti-dilutive effect and has therefore been excluded from the calculation of the diluted loss per share for the three months and six months ended 30 September 2017.

6. **Property, plant and equipment**

	(Unaudited) 30 September 2017 HK\$'000	(Unaudited) 30 September 2016 HK\$'000
Opening net book amount	135,441	84,055
Additions	2,887	56,142
Disposals	—	292
Depreciation	(8,349)	(7,651)
	<hr/>	<hr/>
Closing net book amount	129,979	132,838
	<hr/>	<hr/>

7. **Financial assets at fair value through profit or loss**

	(Unaudited) 30 September 2017 HK\$'000	(Audited) 31 March 2017 HK\$'000
Listed equity securities at fair value in Hong Kong <i>(Note a)</i>	93,653	117,493
Unlisted convertible bonds in Hong Kong <i>(Note b)</i>	14,309	14,309
Unlisted equity fund outside Hong Kong	7,315	7,944
	<hr/>	<hr/>
	115,277	139,746
	<hr/>	<hr/>

7. Financial assets at fair value through profit or loss (Continued)

(a) Listed equity securities in Hong Kong

As at 30 September 2017, the Group had financial assets at fair value through profit or loss representing equity securities listed in Hong Kong of approximately HK\$93,653,000 (31 March 2017: approximately HK\$117,493,000). Details of significant investments are as follows:

Stock Code	Name of Investee company	Principal activities	No. of Shares Held '000	Percentage of total share capital owned by the Group as at 30 September 2017		Market value at 30 September 2017		Unrealised gain/(Loss) on change in fair value for the six months ended 30 September 2017		Gain/(Loss) on disposal	Dividend received for the six months ended 30 September 2017
				%		Cost HK\$'000	September 2017 HK\$'000	Percentage to the Group's net assets as a 30 September 2017 %	September 2017 HK\$'000		
1581	Progressive Path Group Holdings Ltd	Construction works and the provision of construction machinery rental	27,775	2.68%	9,999	10,555	1.13%	556	—	—	
1340	Huisheng International Holdings Ltd	Provision of hog breeding, hog slaughtering and sales of pork products; and consultancy services in farming	30,000	3.45%	12,500	12,900	1.38%	400	—	—	
1082	Hong Kong Education (Int'l) Investments Ltd	Provision of private educational services, investment in securities, property investments and money lending business	10,000	1.83%	14,000	12,500	1.34%	(1,500)	—	—	
8238	Winto Group (Holdings) Ltd	Print media businesses; sales and free distribution of Chinese language lifestyle magazines and the sales of advertising spaces, provision of outdoor advertising services	270,000	3.13%	12,150	13,500	1.44%	1,350	—	—	
8351	Larry Jewelry International Co. Ltd	Design, manufacture, Trading and retailing of jewelry products	28,000	0.83%	10,360	11,200	1.20%	840	—	—	
8101	Jia Meng Holdings Ltd	Design, manufacture and sale of mattresses and soft bed products in the PRC and export of mattresses to overseas market; securities investment in Hong Kong; and property investment	221,728	7.67%	20,052	25,277	2.70%	5,225	—	—	

7. Financial assets at fair value through profit or loss (Continued)
(a) Listed equity securities in Hong Kong (Continued)

Stock code	Name of investee company	Principal activities	Percentage of total share capital owned by the Group as at 31 March		Market value at 31 March		Percentage of Group's net assets as at 31 March 2017	Unrealised gain/(Loss) on change in fair value for the six months ended 31 March 2017		Dividend received for the six months ended 31 March 2017
			Number of shares held '000	2017 %	Cost HK\$'000	2017 HK\$'000		Gain/(Loss) on disposal HK\$'000	March 2017 HK\$'000	
8101	Jia Meng Holdings Limited	Design, manufacture and sale of mattresses and soft bed products in the PRC and export of mattresses to overseas markets; securities investment in Hong Kong; and property investment	221,728	7.67%	17,738	27,494	2.13%	6,680	–	–
8215	First Credit Finance Group Limited	Money lending business	31,000	0.85%	8,352	13,640	1.05%	5,288	150	1,050
275	Master Glory Group Limited	Trading of securities, industrial water supply business, property development and trading and other strategic investments	64,210	0.62%	8,255	13,227	1.02%	4,972	601	–
1082	Hong Kong Education (Int'l) Investments Limited	Provision of private educational services, investment in securities, property investments and money lending business	10,000	1.83%	4,000	11,500	0.89%	7,500	–	–
8178	China Information Technology Development Limited	Development and sale of computer software and hardware, provision of system integration and related support services, provision of IT infrastructure solutions and maintenance services, money lending and securities trading	73,288	1.27%	9,397	11,060	0.86%	1,663	1,097	–

The fair values of listed equity securities are determined based on the quoted market closing price available on the Main Board and the GEM of the Stock Exchange at the end of the reporting period.

- (b) Balance represent an unsecured, three year maturity 2% coupon convertible bonds with a principal amount of HK\$12,000,000 issued by Deson Construction International Holdings Limited, a company listed on the GEM of the Stock Exchange.

8. Trade receivables

At the end of the reporting period, the ageing analysis of trade receivables is as follows:

	(Unaudited) 30 September 2017 HK\$'000	(Audited) 31 March 2017 HK\$'000
Neither past due nor impaired	281,953	229,209
Less than 1 month past due	14,042	12,805
1 to 2 months past due	3,060	739
More than 2 months but less than 4 months past due	4,801	38
More than 4 months but less than 12 months past due	236	237
More than 12 months past due	5,271	3,416
	27,410	17,235
	309,363	246,444

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 2017 HK\$'000	(Audited) 31 March 2017 HK\$'000
Due within 1 month or on demand	124,671	38,938

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 2017 (2016: Nil).

No interest was payable to convertible notes held by Dr. Cheung Yuk Shan, Shirley, a director of the Company, for the six months ended 30 September 2017 (2016: HK\$200,000).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 September 2017 (the “Period Under Review”), the Group’s turnover amounted to approximately HK\$1,239,211,000, representing an increase of 12.5% from approximately HK\$1,101,702,000 in the corresponding period in last year. This is mainly attributable to the growth of 15.3% in the distribution sales of our Shanghai Dong Fang Ri Hua Sales Co. Ltd. (“Dong Fang”) to approximately HK\$1,155,960,000 during the Period Under Review (2016: approximately HK\$1,002,976,000), which compensates the impact of the decrease in the net gains on financial assets at fair value through profit or loss from approximately HK\$48,449,000 in the corresponding period in last year to approximately HK\$8,012,000 during the Period Under Review.

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\$67,171,000 (2016: approximately HK\$39,962,000), representing an increase of 68.1% as compared to that of the corresponding period in last year. During the Period Under Review, the franchise co-operation business contributed HK\$3,434,000 turnover to the Group (2016: HK\$7,296,000). During the Period Under Review, the revenue generated from money lending business increased by 76.8% to HK\$4,023,000 (2016: 2,275,000).

During the Period Under Review, the Group recorded a decrease of approximately HK\$22,309,000 in gross profit and has incurred loss attributable to owners of the Company of approximately HK\$5,703,000 (2016: profit of 19,062,000). The decrease in gross profit and loss attributable to owners of the Company is mainly due to the decrease in the net gains on financial assets through profit or loss from approximately HK\$48,449,000 in the corresponding period in last year to approximately HK\$8,012,000 during the Period Under Review.

OUTLOOK

Beauty, Slimming and Spa Centres

During the Period Under Review, Hong Kong economy continued to recover and PRC economy has decelerating economic growth, 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 under the outstanding leadership of the management. The turnover generated from all our beauty, slimming and spa centres in both Hong Kong and PRC increased by 68.1% from approximately HK\$39,962,000 in the corresponding period in last year to approximately HK\$67,171,000 during the Period Under Review. 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.

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 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 online platforms 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. In the Period Under Review, Dong Fang has successfully expand its sales through online platforms and the revenue of the distribution business increased by 15.3% from HK\$1,002,976,000 in the corresponding period in last year to approximately HK\$1,155,960,000 during the Period Under Review.

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.

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. During the Period under Review, the Group has recorded net gains on financial assets at fair value though profit and loss of approximately HK\$8,012,000, representing a decrease of 83.5% from approximately HK\$48,449,000 in the corresponding period in last year

Money Lending Business

In 2016, the Group has commenced new business of money lending in order to better utilise the idle funds to generate additional returns to the Company. The Group provided both secured and unsecured loans with terms ranging from several months to 2 years. During the Period Under Review, the Group recorded interest income of approximately HK\$4,023,000 from money leading business, representing an increase of 76.8% from approximately HK\$2,275,000 in the corresponding period in last year.

CAPITAL RESOURCES AND LIQUIDITY

Cash and bank balances as at 30 September 2017 were approximately HK\$543,088,000 compared to approximately HK\$522,045,000 as at 31 March 2017. The Group's gearing ratio of 8.4% (31 March 2017: 7.3%) was based on the bank borrowings of approximately HK\$79,019,000 (31 March 2017: approximately HK\$67,731,000) and the net assets of the Group of approximately HK\$935,262,000 (31 March 2017: approximately HK\$933,822,000). As at 30 September 2017, the Group's liability was approximately HK\$386,474,000, compared to approximately 359,519,000 as at 31 March 2017. It includes account payables and other payables approximately HK\$214,439,000 (31 March 2017: approximately HK\$169,387,000), mainly for the daily operations of our subsidiary — Dong Fang, deferred income approximately HK\$14,209,000 (31 March 2017: approximately HK\$23,189,000) and bank borrowings approximately HK\$79,019,000 (31 March 2017: approximately HK\$67,731,000), bank borrowings is also for Dong Fang trading activities. 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 3.02:1 (31 March 2017: 3.15:1), reflecting the adequacy of financial resources.

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 or structured financial products.

NET ASSETS

As at 30 September 2017, the Group's net assets amounted to approximately HK\$935,262,000 compared to approximately HK\$933,822,000 as at 31 March 2017. There are no charges on the Group's assets as at 30 September 2017.

CONTINGENT LIABILITIES

As at 30 September 2017, there were no material contingent liabilities.

EMPLOYEE INFORMATION

As at 30 September 2017, the Group had 475 employees (2016: 532 employees). During the Period Under Review, the Group's total staff costs amounted to approximately HK\$48,263,000 (2016: approximately HK\$42,354,000).

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 market in which the Group operates. In addition to the salary, the Group also offers to its employees other fringe benefits including share option, mandatory provident fund and medical benefits.

USE OF PROCEEDS

The Group completed the Rights Issue on 3 March 2017 resulting in net proceeds of approximately HK\$352,000,000. Details of the use of proceeds is as follows:

- approximately HK\$40,000,000 was used for the development of the Group's money lending business;
- approximately HK\$20,000,000 was used for repayment of the outstanding amount due to Dr. Cheung Yuk Shan, Shirley under the Convertible Note; and
- approximately HK\$30,000,000 was used for the development of securities trading business.

The remaining proceeds of approximately HK\$262,000,000 was unutilised at the date of this report.

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

As at 30 September 2017, 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 (Note)	80,645,400	143,309,400	2.62%

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	0.33%
Ms. Kwan Fei Ying	10 March 2016	10 March 2016 – 9 March 2021	HK\$0.132	18,211,359	0.33%

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 30 September 2017, 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

			Subscription price per share HK\$ (Note)	At 1 April 2017 (Note)	Cancelled/ lapsed during the period	At 30 September 2017 (Note)
	Date of grant	Exercisable period				
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
				43,317,018	—	43,317,018
Weighted average exercise price				HK\$0.132		HK\$0.132
Weighted average of remaining contractual life				3.94 years		3.44 years

Note: The numbers of options and the subscription price per share have been retrospectively adjusted for the Share Consolidation on 23 September 2016.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2017, so far as 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
Yau Chung Chung	Beneficial owner	543,800,000	9.95%
Like Capital Limited (<i>Note 1</i>)	Beneficial owner	520,200,000	9.52%
Ethnocentric Investment Limited (<i>Note 1</i>)	Interest in a controlled corporation	520,200,000	9.52%
Capital VC Limited (<i>Note 1</i>)	Interest in a controlled corporation	520,200,000	9.52%

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 520,200,000 Share held by Like Capital Limited.

Save as disclosed above, as at 30 September 2017, 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 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 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 six months ended 30 September 2017.

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 2017.

On behalf of the Board
Sau San Tong Holdings Limited
Mui Wai Sum
Executive Director

Hong Kong, 13 November 2017

As at the date of this report, the Board comprises Executive Directors namely Mr. Mui Wai Sum and Mr. Chan Ka Kin; Non-executive Directors namely Dr. Cheung Yuk Shan, Shirley (Honorary Chairman) and 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

16/F., PROSPERITY TOWER, 39 QUEEN'S ROAD CENTRAL, CENTRAL, HONG KONG

香港中環皇后大道中39號豐盛創建大廈16樓