



THIRD QUARTERLY REPORT

2017

第三季度業績報告



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.

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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 2017

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 2017 together with comparative figures of the corresponding period ended in 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Turnover	2	649,251	726,552	1,888,462	1,828,254
Cost of sales		(611,690)	(601,804)	(1,737,732)	(1,568,028)
Gross profit		37,561	124,748	150,730	260,226
Other revenue	2	732	2,342	4,599	4,834
Selling and distribution costs		(25,708)	(28,363)	(87,399)	(74,996)
General and administrative expenses		(25,046)	(28,077)	(72,256)	(84,756)
Profit/(loss) from operations		(12,461)	70,650	(4,326)	105,308
Finance costs		(1,076)	(845)	(2,585)	(2,132)
Profit/(loss) before taxation		(13,537)	69,805	(6,911)	103,176
Income tax expense	3	(2,721)	(9,755)	(7,915)	(17,900)
Profit/(loss) for the period		(16,258)	60,050	(14,826)	85,276
Profit/(loss) attributable to:					
Owners of the Company		(19,391)	55,933	(25,094)	74,995
Non-controlling interests		3,133	4,117	10,268	10,281
Profit/(loss) for the period		(16,258)	60,050	(14,826)	85,276
		HK cents	HK cents	HK cents	HK cents
Earnings/(loss) per share	4				
Basic		(0.35)	3.07	(0.46)	4.12
Diluted		N/A	2.97	N/A	3.98

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	
	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	(16,258)	60,050	(14,826)	85,276
Other comprehensive income/(loss) for the period:				
<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	2,854	15	2,862	(45)
Total comprehensive profit/(loss) for the period	(13,404)	60,065	(11,964)	85,231
Attributable to:				
Owners of the Company	(16,995)	56,037	(22,547)	75,178
Non-controlling interests	3,591	4,028	10,583	10,053
	(13,404)	60,065	(11,964)	85,231

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 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	
	2017	2016
	HK\$'000	HK\$'000
Turnover		
Distribution sale of cosmetic and skin care products	1,785,782	1,621,457
Provision of beauty and slimming services	91,541	70,731
Provision of franchise services	4,427	10,336
Sale of health, beauty and related products	1,300	1,401
Realised gains on financial assets at fair value through profit or loss	35,346	49,790
Net unrealised gains/(losses) on financial assets at fair value through profit or loss	(35,567)	70,587
Provision of money lending service	5,633	3,952
	1,888,462	1,828,254
Other revenue		
Referral fee income	—	1,637
Management fee income	—	818
Bank interest income	109	82
Other interest income	240	—
Dividend income	215	—
Others	4,035	2,297
	4,599	4,834

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 2017 and for the nine months ended 31 December 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 nine months ended	
	31 December	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax	—	9,681
PRC enterprise income tax	7,915	8,219
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	7,915	17,900
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4. Earnings/(loss) per share

	For the three months ended		For the nine months ended	
	31 December		31 December	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)
Earnings/(loss)				
Profit/(loss) attributable to owners of the Company, used in the basic earnings/(loss) per share calculation	(19,391)	55,933	(25,094)	74,995
Interest on convertible note	—	88	—	288
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Profit/(loss) attributable to owners of the Company, used in the diluted earnings/(loss) per share calculation	(19,391)	56,021	(25,094)	75,283
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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	—	64,737,850	—	70,588,234
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Weighted average number of ordinary shares in issue, used in the diluted earnings/(loss) per share calculation	5,463,407,862	1,885,873,804	5,463,407,862	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/(loss) per share for the three months and nine months ended 31 December 2017 and for the three months ended 31 December 2016.

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
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
Change in equity for the period:												
Profit/(loss) for the period	—	—	—	—	—	—	—	—	(25,094)	(25,094)	10,268	(14,826)
Other comprehensive income/(loss)	—	—	—	2,547	—	—	—	—	—	2,547	315	2,862
At 31 December 2017	109,268	778,605	(3,637)	2,073	2,222	—	13,691	11,611	(14,922)	898,911	22,947	921,858
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
Change in equity for the period:												
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(6,817)	(6,817)
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)
At 31 December 2016	36,422	499,097	(3,637)	6,146	4,170	—	11,033	11,619	59,806	624,656	16,112	640,768

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the nine months ended 31 December 2017 (the “Period Under Review”), the Group’s turnover amounted to approximately HK\$1,888,462,000 representing an increase of 3.3% from approximately HK\$1,828,254,000 in the corresponding period in last year. Such increase was mainly due to the 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 10.1% to approximately HK\$1,785,782,000 (2016: approximately HK\$1,621,457,000).

Notwithstanding the challenging market conditions encountered during the Period Under Review, the turnover generated from all our beauty, slimming and spa centres in Hong Kong, Macau and the People’s Republic of China (the “PRC”) amounted to approximately HK\$91,541,000 (2016: approximately HK\$70,731,000), representing an increase of 29.4% as compared to that of the corresponding period in last year. During the Period Under Review, the franchise co-operation business contributed approximately HK\$4,427,000 turnover to the Group (2016: approximately HK\$10,336,000).

During the Period Under Review, the revenue generated from the provision of money lending services increased by 42.5% to approximately HK\$5,633,000 (2016: approximately HK\$3,952,000).

During the Period Under Review, the Group recorded a decrease of approximately HK\$109,496,000 in gross profit and has incurred loss attributable to owners of the Company of approximately HK\$25,094,000 (2016: profit of approximately HK\$74,995,000). The decrease in gross profit and turnaround from profit to loss were mainly attributable to decrease in contribution from our securities investment business, which brought a total net losses of approximately HK\$221,000 (2016: net gains of approximately HK\$120,377,000) from realised gains and net unrealised losses (2016: gains) on financial assets at fair value through profit or loss for 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 to resist the industry cold snap under the outstanding leadership of the management. The turnover generated from all our beauty, slimming and spa centres in Hong Kong, Macau and PRC increased by 29.4% from approximately HK\$70,731,000 in the corresponding period in last year to approximately HK\$91,541,000 during the Period Under Review.

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 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 10.1% from approximately HK\$1,621,457,000 in the corresponding period in last year to approximately HK\$1,785,782,000 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. Envy of the outstanding achievement of “Sau San Tong”, competitors, imitators and even fakers began to spring up like mushrooms 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.

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 2 years. During the Period Under Review, the Group recorded interest income of approximately HK\$5,633,000, representing an increase of 42.5% from approximately HK\$3,952,000 in the corresponding period in last year.

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;
- approximately HK\$30,000,000 was used for the development of securities trading business; and
- approximately HK\$16,000,000 was used for the acquisition of a residential property in Hong Kong.

The remaining proceeds of approximately HK\$246,000,000 was unutilised at the date of this report.

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

As at 31 December 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 <i>(Note)</i>	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 31 December 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

	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
				36,422,718	–	36,422,718

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 AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at the 31 December 2017, 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
Yau Chung Chung	Beneficial owner	601,400,000	11.01%
Like Capital Limited (<i>note 1</i>)	Beneficial owner	520,200,000	9.52%
Ethnocentric Investment Limited (<i>note 1</i>)	Interest of a controlled corporation	520,200,000	9.52%
Capital VC Limited (<i>note 1</i>)	Interest of a controlled corporation	520,200,000	9.52%
HN Group Limited	Beneficial owner	287,124,000	5.26%

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 Shares held by Like Capital Limited pursuant to Part XV of the SFO.

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 2017, 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 2017 held on 22 September 2017 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 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 nine months ended 31 December 2017.

On behalf of the Board
SAU SAN TONG HOLDINGS LIMITED
Mui Wai Sum
Executive Director

Hong Kong, 8 February 2018

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
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