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INTERIM REPORT | 2018  
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## CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Main Board of 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.

Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

## RESULTS

The Board of Directors (the “Board”) of the Company 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 2018, together with the comparative figures of the corresponding period in 2017, as follows:

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

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Turnover	2	538,875	678,323	1,324,848	1,239,211
Cost of sales		(513,705)	(628,110)	(1,280,326)	(1,126,042)
Gross profit		25,170	50,213	44,522	113,169
Other revenue		1,186	3,011	1,799	3,867
Selling and distribution costs		(23,820)	(31,646)	(51,868)	(61,691)
General and administrative expenses		(31,131)	(21,310)	(56,537)	(47,210)
Profit/(loss) from operations		(28,595)	268	(62,084)	8,135
Finance costs		(750)	(759)	(1,909)	(1,509)
Profit/(loss) before taxation	3	(29,345)	(491)	(63,993)	6,626
Income tax expense	4	(2,243)	(2,648)	(5,269)	(5,194)
Profit/(loss) for the period		(31,588)	(3,139)	(69,262)	1,432
Attributable to:					
Owners of the Company		(33,876)	(8,485)	(75,059)	(5,703)
Non-controlling interests		2,288	5,346	5,797	7,135
Profit/(loss) for the period		(31,588)	(3,139)	(69,262)	1,432
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
(Loss) per share	5				
Basic		(0.62)	(0.16)	(1.37)	(0.10)
Diluted		(0.62)	N/A	(1.37)	N/A

## 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	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(loss) for the period	<b>(31,588)</b>	(3,139)	<b>(69,262)</b>	1,432
<b>Other comprehensive income/(loss) for the period:</b>				
Items that may be reclassified subsequently to profit or loss:				
— Exchange differences on translation of financial statements of foreign operations, net of nil tax	<b>(2,634)</b>	(88)	<b>(17,434)</b>	8
<b>Total comprehensive profit/(loss) for the period</b>	<b>(34,222)</b>	(3,227)	<b>(86,696)</b>	1,440
<b>Attributable to:</b>				
Owners of the Company	<b>(36,375)</b>	(8,463)	<b>(87,487)</b>	(5,552)
Non-controlling interests	<b>2,153</b>	5,236	<b>791</b>	6,992
	<b>(34,222)</b>	(3,227)	<b>(86,696)</b>	1,440

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30 September 2018	(Audited) 31 March 2018
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	6	132,723	138,853
Investment property		—	8,001
Intangible assets		327	410
Goodwill		26,480	26,480
Loan receivable		—	40
		<b>159,530</b>	<b>173,784</b>
<b>Current assets</b>			
Inventories		94,440	8,847
Financial assets at fair value through profit or loss	7	119,119	137,899
Trade receivables	8	201,703	323,432
Prepayments, deposits and other receivables		123,869	129,880
Loans receivable		70,980	55,776
Interest receivable		771	411
Amounts due from related parties		163	179
Cash and cash equivalents		411,388	496,482
		<b>1,022,433</b>	<b>1,152,906</b>
<b>Current liabilities</b>			
Bank loans		45,591	99,976
Trade payables	9	66,643	52,983
Other payables and accrued charges		110,108	132,702
Amount due to a director		356	562
Amounts due to related parties		14,817	16,246
Deferred income		18,409	16,175
Current tax payable		13,512	12,859
		<b>269,436</b>	<b>331,503</b>

	(Unaudited) 30 September 2018 HK\$'000	(Audited) 31 March 2018 HK\$'000
	<i>Note</i>	
<b>Net current assets</b>	<b>752,997</b>	821,403
<b>Total assets less current liabilities</b>	<b>912,527</b>	995,187
<b>Non-current liabilities</b>		
Deferred tax liabilities	3,797	4,163
	<b>3,797</b>	4,163
<b>NET ASSETS</b>	<b>908,730</b>	991,024
<b>CAPITAL AND RESERVES</b>		
Share capital	109,268	109,268
Reserves	767,799	850,884
Total equity attributable to owners of the Company	877,067	960,152
Non-controlling interests	31,663	30,872
<b>TOTAL EQUITY</b>	<b>908,730</b>	991,024

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2018

	Attributable to owners of the Company										
	Share capital	Share premium	Merger reserve	Exchange reserve	Share-based payment reserve	The PRC statutory surplus reserve	Other reserve	Accumulated losses/retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2018	109,288	778,605	(3,637)	11,761	2,222	16,685	28,055	17,173	980,152	30,872	991,024
Changes in equity for the period:											
Equity-settled share-based transaction	-	-	-	-	4,402	-	-	-	4,402	-	4,402
(Loss)/profit for the period	-	-	-	-	-	-	-	(75,059)	(75,059)	5,797	(69,262)
Other comprehensive (loss)	-	-	-	(12,428)	-	-	-	-	(12,428)	(5,006)	(17,434)
At 30 September 2018	109,288	778,605	(3,637)	(647)	6,624	16,685	28,055	(57,886)	877,067	31,663	908,730
At 1 April 2017	109,288	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	109,288	778,605	(3,637)	(323)	2,222	13,691	11,611	4,469	915,906	19,956	935,862

## CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	For the six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
Net cash (used in) operating activities	<b>(49,269)</b>	(18,970)
Net cash generated from investing activities	<b>25,794</b>	21,582
Net cash (used in)/generated from financing activities	<b>(54,385)</b>	18,423
(Decrease)/increase in cash and cash equivalents	<b>(77,860)</b>	21,035
Cash and cash equivalents at 1 April	<b>496,482</b>	522,045
Effect of foreign exchange rate changes	<b>(7,234)</b>	8
Cash and cash equivalents at 30 September	<b>411,388</b>	543,088
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<b>411,388</b>	543,088





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 2018.

**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 interest income from provision of money lending service.

An analysis of the Group's turnover and operating results for the six months ended 30 September 2018 by business segments is as follows:

	For the six months ended 30 September 2018						
	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	1,322,878	(51,066)	43,678	773	2,210	6,375	1,324,848
Reportable segment results	19,930	(53,827)	(22,152)	(261)	(88)	3,841	(52,557)
Unallocated corporate expenses							(11,326)
Unallocated corporate other revenue							1,799
(Loss) from operations							(62,084)
Finance costs							(1,909)
(Loss) before taxation							(63,993)
Income tax expense							(5,269)
(Loss) for the period							(69,262)

For the six months ended 30 September 2017

	Distribution sale of cosmetic and skin care products <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Provision of beauty and slimming services <i>HK\$'000</i>	Franchise operations <i>HK\$'000</i>	Sale of health, beauty and related products <i>HK\$'000</i>	Money lending service <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 period							1,432

### 3. Profit/(loss) before taxation

	For the six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
<b>Crediting</b>		
Bank Interest income	62	70
Other Interest income	587	240
<b>Charging</b>		
Depreciation of property, plant and equipment	7,117	8,349
Operating lease rentals: minimum lease payments		
– property rentals	15,969	18,235
Interest on bank loans	1,909	1,508

### 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 2018 and for the six months ended 30 September 2017. 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	
	2018	2017
	HK\$'000	HK\$'000
Hong Kong profits tax	17	—
PRC enterprise income tax	5,252	5,194
	5,269	5,194

## 5. (Loss) per share

	For the three months ended 30 September		For the six months ended 30 September	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>(Loss)</b>				
(Loss) attributable to owners of the Company, used in the basic (loss) per share and diluted (loss) per share calculation	<b>(33,876)</b>	(8,485)	<b>(75,059)</b>	(5,703)
<b>Shares</b>				
Weighted average number of ordinary shares in issue, used in the basic (loss) per share calculation	<b>5,463,407,862</b>	5,463,407,862	<b>5,463,407,862</b>	5,463,407,862
Dilution effect of share options	<b>5,869,593</b>	—	<b>2,950,833</b>	—
Weighted average number of ordinary shares in issue, used in the diluted (loss) per share calculation	<b>5,469,277,455</b>	5,463,407,862	<b>5,466,358,695</b>	5,463,407,862

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 2018 HK\$'000	(Unaudited) 30 September 2017 HK\$'000
Opening net book amount	138,853	135,441
Additions	987	2,887
Depreciation	(7,117)	(8,349)
Closing net book amount	<b>132,723</b>	129,979

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

	(Unaudited) 30 September 2018 HK\$'000	(Audited) 31 March 2018 HK\$'000
Listed equity securities at fair value in Hong Kong (Note a)	100,734	116,271
Unlisted convertible bonds in Hong Kong (Note b)	11,911	11,911
Unlisted equity fund outside Hong Kong	6,474	9,717
	<b>119,119</b>	137,899

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

As at 30 September 2018, the Group had financial assets at fair value through profit or loss representing equity securities listed in Hong Kong of approximately HK\$100,734,000 (31 March 2018: approximately HK\$116,271,000). Details of significant investments are as follows:

Stock code	Name of investee company	Principal activities	No. of shares held	Percentage of total share capital owned by the Group as at 30 September		Market value at 30 September	Percentage to the Group's net assets as at 30 September		Unrealised gain/(loss) on change in fair value for the six months ended 30 September		Dividend received for the six months ended 30 September
				2018	%		Cost	2018	%	Gain/(loss) on disposal	
			'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000		
8101	EJE (Hong Kong) Holdings Limited (formerly known as Jia Meng Holdings Limited)	Design, manufacture and sale of mattresses and soft bed products, property investment and securities investment	221,728	7.67%	20,052	39,911	4.39%	(38,802)	-	-	
1611	Pantronics Holdings Limited	Manufacturing of power related electrical and electronic products	2,326	0.76%	4,001	10,676	1.17%	6,675	-	-	
1082	Hong Kong Education (Int'l) Investments Ltd.	Provision of private educational services, investment in securities, property investments and money lending business	20,000	3.65%	20,317	8,200	0.90%	(3,600)	-	-	
1591	Shun Wo Group Holdings Limited	Foundation business of construction of residential, industrial and commercial buildings	77,040	1.93%	13,453	7,319	0.80%	(6,134)	(2,483)	-	
1587	Shineroad International Holdings Limited	Provision of food ingredients and food additives to food manufacturers	11,460	1.69%	7,917	6,991	0.77%	(926)	-	-	
1735	Wang Yang Holdings Limited	Undertaking of foundation works include piling works, excavation and pile cap construction	3,560	1.35%	5,382	6,978	0.77%	1,589	-	-	
1721	FSM Holdings Limited	Produce and supply customized sheet metal and provide precision machining services to semi-finished products	10,000	1.00%	5,418	5,000	0.55%	(418)	-	-	

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	No. of shares held	Percentage of total share capital owned by the Group as at 31 March		Cost	Market value at 31 March	Percentage to the Group's net assets as a 31 March	Unrealised gain/(loss) on change in fair value for the year ended 31 March	Dividend received for the year ended 31 March
				2018	2018					
8101	EJE (Hong Kong) Holdings Limited (formerly known as Jia Meng Holdings Limited)	Design, manufacture and sale of mattress and soft bed products, property investment and securities investment	221,728	7.67%	17,738	78,713	5.93%	51,219	-	-
1082	Hong Kong Education (Int'l) Investments Ltd.	Provision of private educational services, investment in securities, property investments and money lending business	20,000	3.65%	20,318	11,800	0.89%	(16,018)	7,964	-
1591	Shun Wo Group Holdings Limited	Foundation business of construction of residential, industrial and commercial buildings	50,000	1.25%	5,395	7,300	0.55%	1,905	-	-
8351	Larry Jewelry International Company Limited	Design and retailing of jewelry products and sales of pharmaceutical and health products	20,600	0.57%	7,622	5,768	0.43%	(1,854)	256	-
8120	China Demeter Financial Investments Limited	Feedstock products and animal husbandry businesses, money lending business, securities investment business, food and beverage business and provision of administrative services	20,000	2.01%	1,980	2,280	0.17%	300	-	-

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

- (b) Balance represented an unsecured, three years 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 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 2018 <i>HK\$'000</i>	(Audited) 31 March 2018 <i>HK\$'000</i>
Neither past due nor impaired	195,255	320,251
Less than 1 month past due	5,681	3,106
1 to 2 months past due	526	—
More than 2 months but less than 4 months past due	65	—
More than 4 months but less than 12 months past due	112	—
More than 12 months past due	64	75
	6,448	3,181
	201,703	323,432

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 2018 <i>HK\$'000</i>	(Audited) 31 March 2018 <i>HK\$'000</i>
Due within 1 month or on demand	66,643	52,983

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (2017: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the six months ended 30 September 2018 (the “Period Under Review”), the Group’s turnover amounted to approximately HK\$1,324,848,000, representing an increase of 6.9% from approximately HK\$1,239,211,000 in the corresponding period in last year. This is mainly attributable to the growth of 14.4% in the distribution sales of our Shanghai Dong Fang Ri Hua Sales Co. Ltd. (“Dong Fang”) to approximately HK\$1,322,878,000 during the Period Under Review (2017: approximately HK\$1,155,960,000), which compensates the impact of the change in the net gains/(losses) on financial assets at fair value through profit or loss from net gains of approximately HK\$8,012,000 in the corresponding period in last year to net losses of approximately HK\$51,066,000 during the Period Under Review.

Due to 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\$43,678,000 (2017: approximately HK\$67,171,000), representing a decrease of 35.0% as compared to that of the corresponding period in last year. During the Period Under Review, the franchise co-operation business contributed approximately HK\$773,000 turnover to the Group (2017: approximately HK\$3,434,000). During the Period Under Review, the revenue generated from money lending business increased by 58.5% to approximately HK\$6,375,000 (2017: approximately HK\$4,023,000).

During the Period Under Review, the Group recorded a decrease of approximately HK\$68,647,000 in gross profit and has incurred substantial increase in loss attributable to owners of the Company of approximately HK\$75,059,000 (2017: approximately HK\$5,703,000). The decrease in gross profit and increase in loss attributable to owners of the Company is mainly due to the change in the net gains/(losses) on financial assets through profit or loss from net gains of approximately HK\$8,012,000 in the corresponding period in last year to net losses of approximately HK\$51,066,000 during the Period Under Review.

## OUTLOOK

### Beauty, Slimming and Spa Centres

During the Period Under Review, both Hong Kong economy and PRC economy faced difficulties due to interest rate hike and tightening of US-China trade relationship, 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. The turnover generated from all our beauty, slimming and spa centres in both Hong Kong and PRC decreased by 35.0% from approximately HK\$67,171,000 in the corresponding period in last year to approximately HK\$43,678,000 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. 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 14.4% from HK\$1,155,960,000 in the corresponding period in last year to approximately HK\$1,322,818,000 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 existing 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 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, as a result of the downturn in stock market, the Group has recorded net losses on financial assets at fair value though profit and loss of approximately HK\$51,066,000, as compared with net gains of approximately HK\$8,012,000 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. During the Period Under Review, the Group recorded interest income of approximately HK\$6,375,000 from money leading business, representing an increase of 58.5% from approximately HK\$4,023,000 in the corresponding period in last year.

## CAPITAL RESOURCES AND LIQUIDITY

Cash and bank balances as at 30 September 2018 were approximately HK\$411,388,000 compared to approximately HK\$496,482,000 as at 31 March 2017. The Group's gearing ratio of 5.0% (31 March 2018: 10.1%) was based on the bank borrowings of approximately HK\$45,591,000 (31 March 2018: approximately HK\$99,976,000) and the net assets of the Group of approximately HK\$908,730,000 (31 March 2018: approximately HK\$991,024,000). As at 30 September 2018, the Group's liability was approximately HK\$273,233,000, compared to approximately HK\$335,666,000 as at 31 March 2018. It includes account payables and other payables approximately HK\$176,751,000 (31 March 2018: approximately HK\$185,685,000), mainly for the daily operations of our subsidiary — Dong Fang), deferred income approximately HK\$18,409,000 (31 March 2018: approximately HK\$16,175,000) and bank borrowings approximately HK\$45,591,000 (31 March 2018: approximately HK\$99,976,000), 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 3.79:1 (31 March 2018: 3.48:1), 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 2018, the Group's net assets amounted to approximately HK\$908,730,000 compared to approximately HK\$991,024,000 as at 31 March 2018. There are no charges on the Group's assets as at 30 September 2018.

## CONTINGENT LIABILITIES

As at 30 September 2018, there were no material contingent liabilities.

## EMPLOYEE INFORMATION

As at 30 September 2018, the Group had 391 employees (2017: 475 employees). During the Period Under Review, the Group's total staff costs amounted to approximately HK\$47,707,000 (2017: approximately HK\$48,263,000).

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;
- approximately HK\$30,000,000 was used for the development of securities trading business;
- approximately HK\$16,000,000 was used for acquisition of a residential property in Hong Kong through acquisition of a subsidiary; and
- approximately HK\$7,000,000 was used for renovation of office and shops

The remaining proceeds of approximately HK\$239,000,000 was unutilised at the date of this report.

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

As at 30 September 2018, 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 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%
	31 August 2018	31 August 2018 – 30 August 2023	HK\$0.038	36,422,000	0.67%
				<u>54,633,359</u>	1.00%
Ms. Kwan Fei Ying	10 March 2016	10 March 2016 – 9 March 2021	HK\$0.132	18,211,359	0.33%
	31 August 2018	31 August 2018 – 30 August 2023	HK\$0.038	36,422,000	0.67%
				<u>54,633,359</u>	1.00%
Mr. Chan Ka Kin	31 August 2018	31 August 2018 – 30 August 2023	HK\$0.038	54,634,000	1.00%
Mr. Takashi Togo	31 August 2018	31 August 2018 – 30 August 2023	HK\$0.038	54,634,000	1.00%

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



Save as disclosed above, as at 30 September 2018, 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\$	At 1 April 2018	Granted during the period	At 30 September 2018
Directors	10 March 2016	10 March 2016 – 9 March 2021	0.132 (Note)	18,211,359 (Note)	–	18,211,359 (Note)
	31 August 2018	31 August 2018 – 30 August 2023	0.038	–	145,690,000	145,690,000
Chief Executive Officer	10 March 2016	10 March 2016 – 9 March 2021	0.132 (Note)	18,211,359 (Note)	–	18,211,359 (Note)
	31 August 2018	31 August 2018 – 30 August 2023	0.038	–	36,422,000	36,422,000
Employee	31 August 2018	31 August 2018 – 30 August 2023	0.038	–	54,634,000	54,634,000
Other participant	31 August 2018	31 August 2018 – 30 August 2023	0.38	–	54,634,000	54,634,000
				36,422,718	291,380,000	327,802,718
Weighted average exercise price				HK\$0.132		HK\$0.048
Weighted average of remaining contractual life				2.94 years		4.77 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 2018, so far was known to any Directors or chief executive of the Company, the following interests of which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the issued capital of the Company, or which were recorded in the register of interests required to be kept under Section 336 of the SFO or have notified to the Company were as follows:

### Long position in shares

Substantial shareholder	Capacity	Number of shareholding	
		Share	Percentage
Yau Chung Chung	Beneficial owner	601,400,000	11.01%
H N Group Limited	Beneficial owner	287,124,000	5.26%

Save as disclosed above, as at 30 September 2018, 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.

Code provision A2 stipulates the role of the chairman of the Board. The Company does not have the chairman of the Board and hence does not comply with code provision A2.



## 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 Ms. Chiu Kam Hing, Kathy, Mr. Lau Wai Leung, Alfred and Mr. Roberts, Daniel William. The audit committee has reviewed the unaudited financial results of the Group for the three months and six months ended 30 September 2018.

## 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 2018.

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

Hong Kong, 14 November 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 Director namely Mr. Takashi Togo; Independent Non-executive Directors namely Ms. Chiu Kam Hing, Kathy, Mr. Lau Wai Leung, Alfred, and Mr. Roberts, Daniel William.*



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

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