



INTERIM REPORT | 2020  
中期業績報告





## 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 announces the unaudited consolidated financial results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 September 2020, together with the comparative figures of the corresponding period in 2019, as follows:

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

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	2				
— Distribution sale of cosmetic and skin care products		457,217	370,164	727,862	595,175
— Provision of beauty and slimming services		15,166	21,136	26,934	43,251
— Provision of franchise services		93	359	142	629
— Sale of health, beauty and related products		469	723	716	1,867
— Results from investments in securities		2,236	(16,887)	3,952	(19,165)
— Interest income from money lending		2,977	4,000	7,039	7,398
		<b>478,158</b>	379,495	<b>766,645</b>	629,155
Cost of sales		<b>(438,839)</b>	(356,909)	<b>(701,343)</b>	(574,562)
Gross profit		<b>39,319</b>	22,586	<b>65,302</b>	54,593
Other revenue		2,181	12	5,323	277
Other gains or losses		4,919	—	5,284	—
Selling and distribution costs		<b>(17,983)</b>	(23,861)	<b>(32,362)</b>	(47,196)
General and administrative expenses		<b>(30,392)</b>	(15,572)	<b>(45,585)</b>	(30,276)

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Loss from operations		(1,956)	(16,835)	(2,038)	(22,602)
Finance costs		(162)	—	(449)	—
Loss before taxation	3	(2,118)	(16,835)	(2,487)	(22,602)
Income tax expense	4	(2,030)	(1,719)	(3,313)	(2,416)
Loss for the period		(4,148)	(18,554)	(5,800)	(25,018)
Attributable to:					
Owners of the Company		(6,583)	(20,437)	(9,609)	(27,287)
Non-controlling interests		2,435	1,883	3,809	2,269
(Loss) profit for the period		(4,148)	(18,554)	(5,800)	(25,018)
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Loss per share	5				
Basic		(0.88)	(2.7)	(1.28)	(3.8)
Diluted		N/A	N/A	N/A	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	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(4,148)	(18,554)	(5,800)	(25,018)
<b>Other comprehensive (loss)/ income 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	(360)	3,149	(684)	606
<b>Total comprehensive loss for the period</b>	<b>(4,508)</b>	<b>(15,405)</b>	<b>(6,484)</b>	<b>(24,412)</b>
<b>Attributable to:</b>				
Owners of the Company	(8,535)	(15,018)	(12,037)	(23,487)
Non-controlling interests	4,027	(387)	5,553	(925)
	(4,508)	(15,405)	(6,484)	(24,412)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited)	(Audited)
		30 September	31 March
		2020	2020
	Note	HK\$'000	HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	6	114,673	120,428
Right-of-use assets		11,355	28,040
Investment property	7	—	22,000
Intangible assets		—	985
Goodwill	8	17,026	23,520
		<b>143,054</b>	<b>194,973</b>
<b>Current assets</b>			
Inventories		13,937	8,608
Financial assets at fair value through profit or loss	9	78,615	76,969
Trade receivables	10	138,818	106,900
Prepayments, deposits and other receivables		112,122	140,283
Loans and interest receivable		81,105	119,076
Amounts due from a related party		2	2
Current tax recoverable		199	199
Cash and cash equivalents		441,310	402,023
		<b>866,108</b>	<b>854,060</b>
<b>Current liabilities</b>			
Contract liabilities		12,923	11,607
Trade payables	11	1,441	1,362
Other payables and accrued charges		148,187	186,626
Lease liabilities		5,427	17,863
Amounts due to a related party		22,744	—
Current tax payable		526	2,686
		<b>191,248</b>	<b>220,144</b>



	(Unaudited) 30 September 2020 <i>Note</i> <b>HK\$'000</b>	(Audited) 31 March 2020 <b>HK\$'000</b>
<b>Net current assets</b>	674,860	633,916
<b>Total assets less current liabilities</b>	817,914	828,889
<b>Non-current liabilities</b>		
Lease liabilities	6,455	11,098
Deferred tax liabilities	3,789	3,637
	10,244	14,735
<b>NET ASSETS</b>	807,670	814,154
<b>CAPITAL AND RESERVES</b>		
Share capital	120,079	120,079
Reserves	686,657	698,694
Total equity attributable to owners of the Company	806,736	818,773
Non-controlling interests	934	(4,619)
<b>TOTAL EQUITY</b>	807,670	814,154



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2020

	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	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 2020	120,079	787,794	(3,637)	(2,136)	6,625	21,904	28,055	(139,911)	818,773	(4,619)	814,154
Changes in equity for the period:											
(Loss)/profit for the period	-	-	-	-	-	-	-	(9,609)	(9,609)	3,809	(6,800)
Other comprehensive (loss)/income	-	-	-	(2,428)	-	-	-	-	(2,428)	1,744	(684)
At 30 September 2020	120,079	787,794	(3,637)	(4,564)	6,625	21,904	28,055	(149,520)	806,736	934	807,670
At 1 April 2019	109,268	778,605	(3,637)	3,362	6,625	19,967	28,055	(81,495)	860,960	14,794	875,754
Changes in equity for the period:											
Issue of new shares	10,811	9,189	-	-	-	-	-	-	20,000	-	20,000
(Loss)/profit for the period	-	-	-	-	-	-	-	(27,287)	(27,287)	2,269	(25,018)
Other comprehensive income/(loss)	-	-	-	3,800	-	-	-	-	3,800	(3,194)	606
Dividend paid to Non-controlling interests	-	-	-	-	-	-	-	-	-	(11,361)	(11,361)
At 30 September 2019	120,079	787,794	(3,637)	7,362	6,625	19,967	28,055	(108,772)	857,473	2,508	859,981





## CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	For the six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from (used in) operating activities	<b>28,357</b>	(4,442)
Net cash from investing activities	<b>22,426</b>	2,795
Net cash used in financing activities	<b>(7,344)</b>	(11,961)
Increase (decrease) in cash and cash equivalents	<b>43,439</b>	(13,608)
Cash and cash equivalents at 1 April	<b>402,023</b>	391,743
Effect of foreign exchange rate changes	<b>(4,152)</b>	(3,608)
Cash and cash equivalents at 30 September	<b>441,310</b>	374,527
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<b>441,310</b>	374,527



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 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 2020.

**2. Revenue and segment information**

Revenue 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 income; net gains or losses on financial assets at fair value through profit or loss and interest income from provision of money lending service.

## 2. Revenue and segment information (Continued)

An analysis of the Group's revenue and operating results for the six months ended 30 September 2020 by business segments is as follows:

	For the six months ended 30 September 2020						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	
Disaggregated by timing of revenue recognition							
Point in time	727,862	8,784	—	—	716	—	737,362
Over time	—	(4,832)	26,934	142	—	7,039	29,283
Reportable segment revenue	727,862	3,952	26,934	142	716	7,039	766,645
Reportable segment results	12,805	927	(10,452)	5	(47)	418	3,656
Unallocated corporate expenses							(5,694)
Loss from operations							(2,038)
Finance costs							(449)
Loss before taxation							(2,487)
Income tax expense							(3,313)
Loss for the period							(5,800)

## 2. Revenue and segment information (Continued)

	For the six months ended 30 September 2019						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	595,175	(19,165)	43,251	629	1,867	7,398	629,155
Reportable segment results	7,249	(22,683)	(1,801)	(212)	(74)	5,735	(11,786)
Unallocated corporate expenses							(11,093)
Unallocated corporate other revenue							277
Loss from operations							(22,602)
Finance costs							—
Loss before taxation							(22,602)
Income tax expense							(2,416)
Loss for the period							(25,018)

### 3. Loss before taxation

Loss before taxation is arrived after:

	For the six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000
<b>Crediting</b>		
Government subsidies included in the other revenue (note)	4,020	—
Bank Interest income	828	72
Other Interest income	—	10
<b>Charging</b>		
Depreciation of property, plant and equipment	6,615	7,163
Impairment losses under expected credit loss model, net of reversal on loans and interest receivables	5,114	—
Impairment losses on goodwill	6,408	—

Note: The government subsidies include both the Anti-epidemic Fund for beauty parlours and massage establishments and party rooms and Employment Support Scheme from the Government of Hong Kong Special Administrative Region (the "HKSAR") to provide relief to the Group affected by Coronavirus Disease-2019 ("Covid-19").

The amount of subsidies entitled is based on the Group's number of workers working in the beauty parlours and massage establishments and the Group is required to undertake and warrant that the Group does not implement redundancies during the subsidy period and spends all the wages subsidies on paying wages to the employees.

### 4. Income tax expense

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

#### 4. Income tax expense (Continued)

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

	For the six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000
Hong Kong profits tax	—	85
PRC enterprise income tax	3,313	2,331
	<b>3,313</b>	<b>2,416</b>

#### 5. Loss per share

	For the three months ended 30 September		For the six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 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	(6,583)	(20,437)	(9,609)	(27,287)

#### Shares

Weighted average number of ordinary shares in issue, used in the basic loss per share calculation	750,493,549	747,555,829	750,493,549	715,417,490
Dilution effect of share options	—	—	—	—
Weighted average number of ordinary shares in issue, used in the diluted loss per share calculation	750,493,549	747,555,829	750,493,549	715,417,490

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 2020 and the three months and six months ended 30 September 2019.



6. **Property, plant and equipment**

	(Unaudited) 30 September 2020 <i>HK\$'000</i>	(Unaudited) 30 September 2019 <i>HK\$'000</i>
Opening net book amount	120,428	130,705
Additions	1,020	4,208
Disposal	(366)	—
Depreciation	(6,613)	(7,163)
Exchange adjustments	204	—
	<hr/>	<hr/>
Closing net book amount	114,673	127,750

7. **Investment property**

During the six months ended 30 September 2019, the Company has issued 67,567,567 ordinary shares of the Company at HK\$0.296 per share as a consideration of HK\$20,000,000 to acquire an investment property through acquisition of a subsidiary.

During the six months ended 30 September 2020, the Group has completed a disposal of the entire equity interest of Earth Limited, a wholly owned subsidiary of the Company holding an investment property, at a consideration of HK\$ 23,000,000. Upon completion of the disposal, Earth Limited ceased to be a subsidiary of the Company.

8. **Goodwill**

**Cost:**

	<i>HK\$'000</i>
At 1 April 2019	25,907
Exchange Adjustment	(543)
	<hr/>
At 31 March 2020	25,364
	<hr/>
Exchange Adjustment	(86)
	<hr/>
At 30 September 2020	25,278



8. Goodwill (Continued)

**Accumulated impairment:**

	<i>HK\$'000</i>
At 1 April 2019	21
Impairment loss	1,823
<hr/>	
At 31 March 2020	1,844
<hr/>	
Impairment loss	6,408
<hr/>	
At 30 September 2020	8,252
<hr/>	

**Carrying amount:**

	<i>HK'000</i>
At 30 September 2020	17,026
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At 31 March 2020	23,520
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The impairment amounting to approximately HK\$6,408,000 in the six months ended 30 September 2020 is arising from the Group's cash-generating units (CGUs) related to provision of beauty and slimming services in the PRC.

Due to the current economic environment in the PRC and the decline of business performance of beauty and slimming business under this CGU, the management is of the opinion that the goodwill related to such CGU has been fully impaired.



## 9. Financial assets at fair value through profit or loss

	(Unaudited) 30 September 2020 HK\$'000	(Audited) 31 March 2020 HK\$'000
Listed equity securities at fair value in Hong Kong (Note a)	70,966	69,849
Unlisted equity fund outside Hong Kong	7,649	7,120
	<b>78,615</b>	<b>76,969</b>

### Note a Listed equity securities in Hong Kong

As at 30 September 2020, the Group had financial assets at fair value through profit or loss representing equity securities listed in Hong Kong of approximately HK\$70,966,000 (31 March 2020: approximately HK\$69,849,000). 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 2020		Market value at 30 September 2020	Percentage to Group's net assets as at 30 September 2020	Fair value for the six months ended 30 September 2020	Dividend received for the six months ended 30 September 2020
			'000	%	Cost HK\$'000	September 2020 HK\$'000				
8101	EJE (Hong Kong) Holdings Limited	Design, manufacture and sale of mattresses and soft bed products, property investment and securities investment	22,173	7.67%	17,738 (note)	12,195	1.21%	(7,539) (note)	-	-
1082	Hong Kong Education (Int'l) Investments Limited	Provision of private educational services, investment in securities, property investments and money lending business	20,000	3.44%	20,318 (note)	23,600	2.34%	8,600 (note)	-	-
1920	Hands Form Holdings Limited	Provision of wet trades works and other related ancillary work	37,300	1.44%	7,329 (note)	5,823	0.58%	747 (note)	-	-
1587	Shineroad International Holdings Limited	Provision of food ingredients and food additives to food manufacturers	10,000	1.47%	6,771 (note)	3,550	0.35%	(950) (note)	-	-
1725	Eternity Technology Holdings Limited	Research and development, manufacture and sales of printed circuit board assembled electronic product	3,255	1.09%	4,901 (note)	4,232	0.42%	(260) (note)	-	-

9. 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 at 31 March	Fair value in fair value for the year ended 31 March	Dividend received for the year ended 31 March
			2020	2020						
8101	EJE (Hong Kong) Holdings Limited	Design, manufacture and sale of mattress and soft bed products, property investment and securities investment	221,728	7.67%	17,738	19,734 (note)	1.88%	(16,629) (note)	-	-
1082	Hong Kong Education (Int'l) Investments Limited	Provision of private educational services, investment in securities, property investments and money lending business	20,000	3.65%	20,318	15,000 (note)	1.43%	(4,000) (note)	-	-
1920	Hands Form Holdings Limited	Provision of wet trades works and other wet trades related ancillary works	37,330	1.42%	7,329	5,077	0.46%	(2,252)	-	-
1587	Shineroad International Holdings Limited	Provision of food ingredients and food additives to food manufacturers.	10,000	1.47%	6,771	4,500 (note)	0.43%	(800) (note)	-	-
1725	Eternity Technology Holdings Limited	Provision of design enhancement and verification, offering of technical, offering of technical advice and engineering solutions, raw materials selection and procurement, quality control, logistics and delivery of electronic products	3,255	1.09%	4,901 (note)	4,492	0.43%	(560) (note)	327	-

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.

*Note:* Investment costs in these investee companies represented the initial acquisition cost for the investee companies. The investments in these investee companies were made by the Group in prior years. For that part of investments in these investee companies which were made in prior years, it was subject to fair value gain/(loss) was recognised at the financial period and year end of the respective years. The fair value gain/(loss) of these investee companies for the periods ended 30 September 2020 and years ended 31 March 2020 excluded fair value gain/(loss) being recognised in prior years



## 10. Trade receivables

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

	(Unaudited) 30 September 2020 <i>HK\$'000</i>	(Audited) 31 March 2020 <i>HK\$'000</i>
Less than 1 month	113,854	30,789
1 to 2 months	19,515	67,561
More than 2 months but less than 4 months	3,284	8,133
More than 4 months but less than 12 months	1,403	325
More than 12 months	762	92
	<hr/> <b>138,818</b>	<hr/> <b>106,900</b>

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

## 11. Trade payables

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

	(Unaudited) 30 September 2020 <i>HK\$'000</i>	(Audited) 31 March 2020 <i>HK\$'000</i>
Due within 1 month or on demand	1,441	1,362

## 12. Disposal of subsidiaries

- (A) On 28 August 2020, the Group disposed of the entire equity interest in Earth Limited ("Earth"), all the obligations, liabilities and debts owing or incurred by Earth to the Company and shareholder's loan to an independent third party for a total consideration of HK\$23,000,000.

### Consideration received on disposal of Earth:

	<i>HK\$'000</i>
Cash consideration	23,000

### The assets and liabilities of Earth disposed at completion date comprise:

	<i>HK\$'000</i>
Investment property	22,000
Prepayments, deposit and other receivables	784
Amount due to the Group	(18,319)
Net assets disposed of	4,465

### Gain on disposal of a subsidiary:

	<i>HK\$'000</i>
Consideration received and receivable	23,000
Net assets disposed of	(4,465)
Shareholder's loan disposed	(18,319)
Gain on disposal	216

### Net cash inflow arising on disposal:

	<i>HK\$'000</i>
Cash consideration	23,000

- (B) On 25 September 2020, the Group disposed of the entire equity interest in Max Target Investment Limited ("Max Target"), all the obligations, liabilities and debts owing or incurred by Max Target to the Company and shareholder's loan to an independent third party for a total consideration of HK\$1,500,000.



12. Disposal of subsidiaries (Continued)

Consideration received on disposal of Max Target:

	<i>HK\$'000</i>
Deferred cash consideration	1,500

The assets and liabilities of Max Target disposed at completion date comprise:

	<i>HK\$'000</i>
Intangible asset	985
Financial assets at fair value through profit or loss	7
Cash and cash equivalents	7
Amount due to the Group	(2,250)
Net liabilities disposed of	(1,251)

Gain on disposal of a subsidiary:

	<i>HK\$'000</i>
Consideration received and receivable	1,500
Net liabilities disposed of	1,251
Shareholder's loan disposed	(2,250)
Gain on disposal	501

Net cash outflow arising on disposal:

	<i>HK\$'000</i>
Cash consideration	—
Less: bank balances and cash disposed of	(7)
	(7)



## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2020 (2019: Nil).

## MAJOR EVENTS

On 24 September 2020, the Company proposes to implement a capital reorganisation and change in board of lot size. The capital reorganisation involves share consolidation, capital reduction and share sub-division. The proposed capital reorganisation and proposed change in board of lot size are conditional upon certain criterias. The capital reorganisation and the change in board lot size would help maintain the transaction amount for each board lot at a reasonable level and attract more investors, provide flexibility for equity fund raising of the Company in the future and eliminate a substantial amount of the Company's accumulated losses, hence, allowing greater flexibility for the Company to pay dividends in the future. Accordingly, the Directors consider that the capital reorganisation and change in board lot size are in the interests of the Company and the Shareholders as a whole. Details are set forth in the announcement dated 24 September 2020 and the circular dated 19 October 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the six months ended 30 September 2020 (the "Period Under Review"), the Group's revenue amounted to approximately HK\$766,645,000, representing a increase of 22% from approximately HK\$629,155,000 in the corresponding period in last year. This is mainly attributable to the increase in the distribution sales of cosmetic and skin care products from Shanghai Dong Fang Ri Hua Sales Co. Ltd. ("Dong Fang") to approximately HK\$727,862,000 during the Period Under Review (2019: approximately HK\$595,175,000) and the net gains of approximately HK\$3,952,000 from the investments in the Hong Kong stock market and unlisted equity fund outside Hong Kong compared to the net loss of approximately HK\$19,165,000 in the corresponding period in last year.

The increase of Group's revenue is partially offset by the decrease of revenue generated from Provision of beauty and slimming services from approximately HK\$43,251,000 in the corresponding period in last year to approximately HK\$ 26,934,000 in the Period Under Review, representing a decrease of 38% and the decrease of revenue generated from Sales of health, beauty and related products from approximately HK\$1,867,000 in the corresponding period in last year to approximately HK\$ 716,000 in the Period Under Review, representing a decrease of 62%.



During the Period Under Review, the interest income generated from money lending business is approximately HK\$7,039,000, representing a slightly decrease of 5% from approximately HK\$7,398,000 in the corresponding period in last year.

During the Period Under Review, the gross profit is approximately HK\$65,519,000 representing an increase of 20% from approximately HK\$54,593,000 in the correspond period in last year.

The increase of gross profit is in line with the performance of aforementioned segments. Together with dedicated efforts in controlling the operating costs and the anti-epidemic fund received from the HKSAR, the Group recorded the loss attributable to owners of the Company amounted to approximately HK\$9,609,000, representing a decrease of approximately 62% from approximately HK\$27,287,000 in the corresponding period in last year.

## OUTLOOK

### Beauty, Slimming and Spa Centres

During the Period Under Review, the slower Hong Kong and PRC economic growth and the threat of US-China trade war have negative impact on consumer confidence. In addition, the outbreak of the Covid-19 and a series of mandatory quarantine measures adversely influence the operating environment and consumer sentiments, the Group's performance was unavoidably affected to some extent in the Period Under Review. The revenue generated from the beauty, slimming and spa centres in both Hong Kong and the PRC decreased by approximately 47% from approximately HK\$43,251,000 in the corresponding period in last year to approximately HK\$26,934,000 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 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 Sale of Cosmetic and Skin Care Products in the PRC**

Distribution sale of cosmetic and skin care products 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, the revenue of the distribution sale of cosmetic and skin care products increased to approximately HK\$727,862,000 (2019: approximately HK\$595,175,000). After months of restrictions to contain the spread of the Covid-19, the Covid-19 epidemic has slightly been mitigated in the PRC. The sales distribution channel gradually resumes from coronavirus lockdown and the sales performance comes back on track.





## 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 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, the Group has recorded net gains on financial assets at fair value through profit and loss of approximately HK\$3,952,000, as compared with the net loss of approximately HK\$19,165,000 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\$7,039,000 from money leading business, representing a decrease of 5% from approximately HK\$7,398,000 in the corresponding period in last year.

## CAPITAL RESOURCES AND LIQUIDITY

Cash and bank balances as at 30 September 2020 were approximately HK\$441,310,000 compared to approximately HK\$402,023,000 as at 31 March 2020. The Group did not have any bank loans as at 30 September 2020 and 31 March 2020. The net assets of the Group of approximately HK\$807,670,000 (31 March 2020: approximately HK\$814,154,000). As at 30 September 2020, the Group's current liability was approximately HK\$191,248,000, compared to approximately HK\$220,144,000 as at 31 March 2020. It includes account payables and other payables approximately HK\$149,628,000 (31 March 2020: approximately HK\$187,988,000), mainly for the daily operations of the subsidiary — Dong Fang), contract liabilities approximately HK\$12,923,000 (31 March 2020: approximately HK\$11,607,000). The liquidity ratio of the Group represented by a ratio of current assets over current liabilities was 4.53:1 (31 March 2020: 3.88:1), 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 2020, the Group's net assets amounted to approximately HK\$807,670,000 compared to approximately HK\$814,154,000 as at 31 March 2020. There are no charges on the Group's assets as at 30 September 2020.

## CONTINGENT LIABILITIES

As at 30 September 2020, there were no material contingent liabilities.

## EMPLOYEE INFORMATION

As at 30 September 2020, the Group had 231 employees (2019: 342 employees). During the Period Under Review, the Group's total staff costs amounted to approximately HK\$27,360,513 (2019: approximately HK\$36,807,000).

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;
- approximately HK\$7,000,000 was used for renovation of office and shops; and
- approximately HK\$19,645,000 was used for working capital.

The remaining proceeds of approximately HK\$219,355,000 was unutilised at the date of this report.

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

As at 30 September 2020, 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\$1.056	2,276,420	0.30%
	31 August 2018	31 August 2018 – 30 August 2023	HK\$0.304	4,552,750	0.61%
				<u>6,829,170</u>	0.91%
Ms. Kwan Fei Ying	10 March 2016	10 March 2016 – 9 March 2021	HK\$1.056	2,276,419	0.30%
	31 August 2018	31 August 2018 – 30 August 2023	HK\$0.304	4,552,750	0.61%
				<u>6,829,169</u>	0.91%
Mr. Chan Ka Kin	31 August 2018	31 August 2018 – 30 August 2023	HK\$0.304	6,829,250	0.91%
Mr. Takashi Togo	31 August 2018	31 August 2018 – 30 August 2023	HK\$0.304	6,829,250	0.91%

*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 2020, 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 2020	Granted during the period	At 30 September 2020
Directors	10 March 2016	10 March 2016 – 9 March 2021	1.056	2,276,420	–	2,276,420
	31 August 2018	31 August 2018 – 30 August 2023	0.304	18,211,250	–	18,211,250
Chief Executive Officer	10 March 2016	10 March 2016 – 9 March 2021	1.056	2,276,419	–	2,276,419
	31 August 2018	31 August 2018 – 30 August 2023	0.304	4,552,750	–	4,552,750
Employee	31 August 2018	31 August 2018 – 30 August 2023	0.304	6,829,250	–	6,829,250
Other participant	31 August 2018	31 August 2018 – 30 August 2023	0.304	6,829,250	–	6,829,250
				40,975,339	–	40,975,339
Weighted average exercise price				HK\$0.387		HK\$0.387
Weighted average of remaining contractual life				3.14 years		2.64 years

*Note:* The numbers of options and the subscription price per share have been retrospectively adjusted for the Share Consolidation on 23 September 2016 and 11 June 2019.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2020, 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	80,550,000	10.73%

Save as disclosed above, as at 30 September 2020, 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. Au Siu Lun. The audit committee has reviewed the unaudited financial results of the Group for the three months and six months ended 30 September 2020.

## 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 2020.

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

Hong Kong, 9 November 2020

*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. Au Siu Lun.*



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

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