



SAU SAN TONG HOLDINGS LIMITED

修身堂控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8200)

**RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 SEPTEMBER 2014**

**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 announcement, 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 announcement 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 announcement misleading.

** For identification purpose only*

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 2014, together with the comparative figures of the corresponding period in 2013, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

	<i>Notes</i>	For the three months ended 30 September		For the six months ended 30 September	
		2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Turnover	2	356,333	320,868	700,999	645,778
Cost of sales		<u>(326,162)</u>	<u>(277,648)</u>	<u>(637,090)</u>	<u>(563,784)</u>
Gross profit		30,171	43,220	63,909	81,994
Other revenue		7,852	808	11,461	3,025
Selling and distribution costs		(18,151)	(18,006)	(36,551)	(38,366)
General and administrative expenses		<u>(20,378)</u>	<u>(20,994)</u>	<u>(41,455)</u>	<u>(42,075)</u>
(Loss)/profit from operations		(506)	5,028	(2,636)	4,578
Finance costs		(1,378)	(634)	(2,006)	(1,060)
Share of losses of joint ventures		<u>(642)</u>	<u>(556)</u>	<u>(1,217)</u>	<u>(818)</u>
(Loss)/profit before taxation	3	(2,526)	3,838	(5,859)	2,700
Income tax expense	4	<u>(1,982)</u>	<u>(1,607)</u>	<u>(3,413)</u>	<u>(3,373)</u>
(Loss)/profit for the period		<u>(4,508)</u>	<u>2,231</u>	<u>(9,272)</u>	<u>(673)</u>
Attributable to:					
Owners of the Company		(6,689)	2,138	(11,796)	(2,606)
Non-controlling interests		<u>2,181</u>	<u>93</u>	<u>2,524</u>	<u>1,933</u>
(Loss)/profit for the period		<u>(4,508)</u>	<u>2,231</u>	<u>(9,272)</u>	<u>(673)</u>
(Loss)/earnings per share	5				
Basic and diluted, HK cents		<u>(1.93)</u>	<u>0.86</u>	<u>(3.66)</u>	<u>(1.05)</u>

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

	For the three months ended 30 September		For the six months ended 30 September	
	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the period	<u>(4,508)</u>	<u>2,231</u>	<u>(9,272)</u>	<u>(673)</u>
Other comprehensive (loss)/income for the period:				
Items that may be reclassified subsequently to profit or loss:				
— Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	<u>(3)</u>	<u>2</u>	<u>(4)</u>	<u>15</u>
Total comprehensive (loss)/income for the period	<u>(4,511)</u>	<u>2,233</u>	<u>(9,276)</u>	<u>(658)</u>
Attributable to:				
Owners of the Company	<u>(6,689)</u>	<u>2,133</u>	<u>(11,795)</u>	<u>(2,624)</u>
Non-controlling interests	<u>2,178</u>	<u>100</u>	<u>2,519</u>	<u>1,966</u>
Total comprehensive (loss)/income for the period	<u>(4,511)</u>	<u>2,233</u>	<u>(9,276)</u>	<u>(658)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30 September 2014 <i>HK\$'000</i>	(Audited) 31 March 2014 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	6	35,687	32,626
Intangible assets		5,815	6,722
Goodwill		320	320
Interests in joint ventures		830	2,047
		42,652	41,715
Current assets			
Inventories		15,463	26,272
Trade receivables	7	183,522	154,880
Prepayments, deposits and other receivables		129,415	78,715
Amount due from related parties		8,857	9,385
Current tax recoverable		1,066	—
Cash and cash equivalents		162,201	99,647
		500,524	368,899
Current liabilities			
Bank loans		18,886	40,291
Trade payables	8	94,175	42,364
Other payables and accrued charges		91,345	57,075
Amount due to a director		730	730
Amount due to joint ventures		1,796	1,896
Amount due to related parties		984	1,511
Deferred income		13,798	17,671
Current tax payable		—	1,238
		221,714	162,776
Net current assets		278,810	206,123
Total assets less current liabilities		321,462	247,838

	(Unaudited)	(Audited)
	30 September	31 March
	2014	2014
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Convertible notes	48,324	48,324
Other long-term liability	17,102	17,102
Deferred tax liabilities	4,652	4,652
	<u>70,078</u>	<u>70,078</u>
NET ASSETS	<u>251,384</u>	<u>177,760</u>
CAPITAL AND RESERVES		
Share capital	11,918	2,980
Reserves	219,072	150,420
	<u>230,990</u>	<u>153,400</u>
Total equity attributable to owners of the Company	20,394	24,360
Non-controlling interests	20,394	24,360
	<u>251,384</u>	<u>177,760</u>
TOTAL EQUITY	<u>251,384</u>	<u>177,760</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2014

	Attributable to owners of the Company											
	Share capital	Share premium	Merger reserve	Exchange reserve	Share-based payment reserve	Convertible notes reserve	The PRC statutory surplus reserve	Other reserve	Accumulated losses	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	HK\$'000
At 1 April 2014	2,980	181,393	(3,637)	7,896	7,750	1,925	6,673	48	(51,628)	153,400	24,360	177,760
Change in equity for the period:												
Issue of shares	8,938	80,447	—	—	—	—	—	—	—	89,385	—	89,385
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(6,485)	(6,485)
(Loss)/profit for the period	—	—	—	—	—	—	—	—	(11,796)	(11,796)	2,524	(9,272)
Other comprehensive income/(loss)	—	—	—	1	—	—	—	—	—	1	(5)	(4)
At 30 September 2014	<u>11,918</u>	<u>261,840</u>	<u>(3,637)</u>	<u>7,897</u>	<u>7,750</u>	<u>1,925</u>	<u>6,673</u>	<u>48</u>	<u>(63,424)</u>	<u>230,990</u>	<u>20,394</u>	<u>251,384</u>
At 1 April 2013	2,483	160,072	(3,637)	6,974	10,732	—	4,463	48	(55,621)	125,514	23,767	149,281
Change in equity for the period:												
(Loss)/profit for the period	—	—	—	—	—	—	—	—	(2,606)	(2,606)	1,933	(673)
Other comprehensive (loss)/income	—	—	—	(18)	—	—	—	—	—	(18)	33	15
At 30 September 2013	<u>2,483</u>	<u>160,072</u>	<u>(3,637)</u>	<u>6,956</u>	<u>10,732</u>	<u>—</u>	<u>4,463</u>	<u>48</u>	<u>(58,227)</u>	<u>122,890</u>	<u>25,733</u>	<u>148,623</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	For the six months ended 30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from/(used in) operating activities	4,490	(2,110)
Net cash used in investing activities	(5,849)	(10,738)
Net cash generated from financing activities	<u>64,019</u>	<u>23,540</u>
Increase in cash and cash equivalents	62,660	10,692
Cash and cash equivalents at 1 April	99,647	73,546
Effect of foreign exchange rate changes	<u>(106)</u>	<u>15</u>
Cash and cash equivalents at 30 September	<u><u>162,201</u></u>	<u><u>84,253</u></u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<u><u>162,201</u></u>	<u><u>84,253</u></u>

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 and Accounting Guidelines 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 convention, except for financial assets and financial liabilities that have been measured at fair value. 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 2014.

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; and service income from provision of beauty and slimming services, net of discounts and franchise fees income.

An analysis of the Group's turnover and operating results for the six months ended 30 September 2014 by business segments is as follows:

	For the six months ended 30 September 2014				Total HK\$'000
	Distribution sale of cosmetic and skin care products HK\$'000	Provision of beauty and slimming services HK\$'000	Franchise operations HK\$'000	Sale of health, beauty and related products HK\$'000	
Reportable segment revenue from external customers	<u>666,544</u>	<u>22,116</u>	<u>11,947</u>	<u>392</u>	<u>700,999</u>
Reportable segment results	<u>10,460</u>	<u>(18,161)</u>	<u>(1,875)</u>	<u>9</u>	(9,567)
Unallocated corporate expenses					(4,530)
Unallocated corporate other revenue					<u>11,461</u>
Loss from operations					(2,636)
Finance costs					(2,006)
Share of loss of joint ventures					<u>(1,217)</u>
Loss before taxation					(5,859)
Income tax expense					<u>(3,413)</u>
Loss for the period					<u>(9,272)</u>

	For the six months ended 30 September 2013				Total HK\$'000
	Distribution sale of cosmetic and skin care products HK\$'000	Provision of beauty and slimming services HK\$'000	Franchise operations HK\$'000	Sale of health, beauty and related products HK\$'000	
Reportable segment revenue from external customers	<u>585,149</u>	<u>43,924</u>	<u>15,957</u>	<u>748</u>	<u>645,778</u>
Reportable segment results	<u>11,293</u>	<u>(4,146)</u>	<u>(3,039)</u>	<u>438</u>	4,546
Unallocated corporate expenses					(2,993)
Unallocated corporate other revenue					<u>3,025</u>
Profit from operations					4,578
Finance costs					(1,060)
Share of loss of joint ventures					<u>(818)</u>
Profit before taxation					2,700
Income tax expense					<u>(3,373)</u>
Loss for the period					<u>(673)</u>

3. (Loss)/profit before taxation

(Loss)/profit before taxation is stated after crediting and charging the followings:

	For the six months ended 30 September	
	2014 HK\$'000	2013 HK\$'000
Crediting		
Interest income	<u>246</u>	<u>145</u>
Charging		
Depreciation on property, plant and equipment	3,136	3,216
Operating lease rentals		
— land and buildings	12,298	13,180
Interest on bank borrowings	1,206	1,060
Interest on convertible notes	<u>800</u>	<u>—</u>

4. Income tax expense

No provision for Hong Kong Profits Tax is made for the three months and six months ended 30 September 2014 as the Companies in the Group either have sustained tax losses or have no assessable profits for Hong Kong Profits Tax purpose (three months and six months ended 30 September 2013: Nil). Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in relevant tax countries.

The details of the taxation charge are as follows:

	For the six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Hong Kong profits tax	—	—
PRC enterprise income tax	<u>3,413</u>	<u>3,373</u>
	<u>3,413</u>	<u>3,373</u>

5. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share for the three months and six months ended 30 September 2014 are based on the unaudited loss attributable to owners of the Company of approximately HK\$6,689,000 and HK\$11,796,000 respectively (2013: profit of approximately HK\$2,138,000 and loss of approximately HK\$2,606,000 respectively) and on the weighted average number of approximately 346,531,712 shares and 322,374,836 respectively shares (three months and six months ended 30 September 2013: on the weighted average number of 248,293,750 shares).

The diluted (loss)/earnings per share for the three months and six months ended 30 September 2014 and 2013 is the same as the basic (loss)/earnings per share as the assumed exercise of the outstanding share options and convertible notes has anti-dilutive effect.

6. Property, plant and equipment

	(Unaudited) 30 September 2014 HK\$'000	(Unaudited) 30 September 2013 HK\$'000
Opening net book amount	32,626	27,842
Exchange adjustments	102	—
Additions	6,095	10,593
Disposals	—	—
Depreciation	<u>(3,136)</u>	<u>(3,216)</u>
Closing net book amount	<u>35,687</u>	<u>35,219</u>

7. Trade receivables

Ageing analysis of trade receivables (net of allowance for doubtful debts) as of the balance sheet date is as follows:

	(Unaudited) 30 September 2014 <i>HK\$'000</i>	(Audited) 31 March 2014 <i>HK\$'000</i>
Current	<u>142,430</u>	<u>148,247</u>
Less than 1 month past due	23,022	1,645
1 to 2 months past due	2,168	2,207
More than 2 months but less than 4 months past due	15,695	578
More than 4 months but less than 12 months past due	121	1,674
More than 12 months past due	<u>86</u>	<u>529</u>
Amounts past due	<u>41,092</u>	<u>6,633</u>
	<u><u>183,522</u></u>	<u><u>154,880</u></u>

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

8. Trade payables

The ageing analysis of trade payables as of the balance sheet date is as follows:

	(Unaudited) 30 September 2014 <i>HK\$'000</i>	(Audited) 31 March 2014 <i>HK\$'000</i>
Due within 1 month or on demand	<u>94,175</u>	<u>42,364</u>

9. Related party transactions

No interest was paid for the amount due to Dr. Cheung Yuk Shan, Shirley, a director of the Company, for the six months ended 30 September 2014 (2013: Nil).

Convertible notes interest, amounting to HK\$200,000, was payable to Dr. Cheung Yuk Shan, Shirley, a director of the Company, for the six months ended 30 September 2014.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2014 (2013: Nil).

MAJOR EVENTS

On 10 July 2014, the Company announced to propose to increase the authorised share capital of the Company to HK\$20,000,000 divided into 2,000,000,000 Shares.

On 10 July 2014, the Company further announced to propose to raise not less than approximately HK\$89.39 million but not more than approximately HK\$117.18 million, before expenses, by way of rights issue to the Shareholders of not less than 893,857,500 Rights Shares and not more than 1,171,771,134 Rights Shares at the subscription Price of HK\$0.10 per Rights Share on the basis of three (3) Rights Shares for every one (1) Share in issue on the Record Date (the “Rights Issue”).

The Rights Issue has been successfully completed. Dealings in the Rights Shares, in the fully paid form, have been commenced on the Exchange at 9:00 am on Monday, 29 September 2014.

Further details of the transactions have been disclosed in the announcements of the Company dated 10 July 2014, 16 July 2014, 31 July 2014, 21 August 2014 and 25 September 2014, the circular of the Company dated 6 August 2014 and the prospectus of the Company dated 3 September 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 September 2014 (the “Period Under Review”), the Group’s turnover amounted to approximately HK\$700,999,000, representing an increase of 9% from approximately HK\$645,778,000 in the corresponding period in last year. Such increase was mainly due to the remarkable growth in the distribution sales of our Shanghai Dong Fang Ri Hua Sales Co. Ltd. (“Dong Fang”). During the Period Under Review, turnover from the distribution business increased by 14% to approximately HK\$666,544,000, (2013: approximately HK\$585,149,000).

Due to the challenging market conditions encountered during the Period Under Review, the turnover generated from all our beauty, slimming and spa centres amounted to approximately HK\$22,508,000 (2013: approximately HK\$44,672,000), representing a decrease of 50% as compared to that of the corresponding period in last year. During the Period Under Review, the franchise co-operation business contributed HK\$11,947,000 turnover to the Group (2013: HK\$15,957,000).

During the Period Under Review, the Group recorded a decrease of approximately HK\$18,085,000 in gross profit and has generated loss attributable to owners of the Company of approximately HK\$11,796,000 (2013: loss of approximately HK\$2,606,000). The results is mainly due to a receding performance of the beauty and slimming segment under a shift of business focus to high-end products and services with a lower margin but more rosy prospects.

OUTLOOK

Beauty, Slimming and Spa Centers

Impacted by the meagre growth in the Hong Kong economy, the retail sector showed retarded growth during the Period Under Review. Other unfavorable operating factors such as high rentals and increases in other costs of sale also persisted. While our beauty, slimming and spa business in Hong Kong was unavoidably affected by these factors, it has nevertheless shown relatively strong resilience against sluggish economy growth. This was attributable to our excellent service management that enables greater quality assurance. Our long history of beauty and slimming service provision in Hong Kong has also gained the long-term favour of customers. The combination of attentive standardisation and sophistication of service procedures with effective customer-oriented marketing measures such as special trial packages has enabled the provision of competitive products and services that meet the demand and consumption pattern of its target customers.

Successful branding is another advantage enjoyed by the Group. Given that consumers of beauty industry products and services tend to be brand loyal and share what works for them with their peers, we have been combining our extensive experience in the industry with a meticulously managed product and service portfolio that is able to outshine our counterparts and consolidate the strong reputation for our cosmetic and skincare products as well as beauty and slimming services, gaining strong and lasting support and faith from its customers. In an effort to further strengthen its leading market position in the beauty and slimming industry, the Group has introduced a number of innovative beauty, slimming and anti-ageing treatments, one of the highlights introduced was the “Raylife AW” from Germany that intertwines radiofrequency, acoustic waves and pulsed light. The application of different technologies at the same time guarantees better results and the resolution of any aesthetic problem from evening of skin tone and anti-ageing to body sculpting and stimulation of tissue renewal. Another introduction was “Cryojet” from Korea that utilises the cool dermal penetration technology to achieve enhanced penetration of active ingredients, or slimming effect through targeted destruction of fat cells. Without using needles and therefore without causing any pain, it can also be applied in activating the self-protection mechanism of the skin through stimulating the circulation to the treatment area for immediate skin rejuvenation.

The Chinese beauty and slimming industry is generally speaking at the beginning of its fully developed phase, benefited by growing household income and rising awareness of personal appearance and wellbeing among Chinese consumers. The rise of the new affluent class and consumers’ uplifting demand in China have been the main factors to drive the consumption of high quality beauty and slimming products and services, which were seen as daily necessities for many and more. The urbanisation process and the sprouting of new business areas and malls as a result are

further accelerating the consumption power with the tier-two and tier-three cities become the “rising battlefields” for the industry. The China market is also seeing growing sophistication, with a highly versatile range of products and services are available including beauty, body sculpting, cosmetics, image design, slimming and health management etc.

Market sophistication also favoured the dominance of the higher end market by Sau San Tong which enjoys strong brand recognition and quality reputation. Our beauty and slimming centres are situated in prime locations in the PRC with convenient customer access and attractive design and layout and we pride ourselves in using the best of professional beauty technicians and the most up-to-date modern technologies. Our established presence and reputation in the PRC market will undoubtedly facilitate our expansion efforts to generate sustainable growth and return.

In view of the lack of related expertise in the PRC market, we have capitalised on our strong team of high caliber professionals, as well as our wealth of know-hows in the management and operation of beauty, slimming and spa centres to provide management consultation services, which proved invaluable to our customers and continued to enjoy a high demand.

Distribution Business in the PRC

Paralleled to the provision of slimming and beauty services, product distribution is another core business of the Group in the PRC. Dong Fang is the biggest distributor of P&G products in East China Area, with a major presence in Jiangsu, Zhejiang and Shanghai. Over the years, Dong Fang has established strong reputation in the industry with its high-quality products and services in the distribution of a wide range of P&G products under the brand names of SKII, Olay, Pantene, Head & Shoulders, Oral-B, Gillette Men, Vidal Sassoon, Wella, Sebastian, Clairol, SP and a number of other brands in the Eastern and Western China. Also, Dong Fang is authorised by P&G as the sole distributor to distribute its world recognised brands of high-end luxury fragrances, including Gucci, Dolce & Gabbana, Hugo, BOSS, and Lacoste in the PRC (excluding departmental store channel).

Health and Beauty Products

Looking to enrich its portfolio of beauty and slimming products and services and thereby securing its leading position on the market, the Group invests in the development and introduction of new and innovative products that cater to the needs and demands of its customers. A number of innovative products have been launched, including Syn-ake Prodna 4D mask that represses contraction of facial muscles to effectively smooth out wrinkles, fine lines and expression lines, while preventing the formation of wrinkles. Another star product was Sau San Tong Ultra Reshaping Waist Trio that combines massage oil, waist patch and body lotion for rapid slimming effect through getting rid of stubborn fat, boosting metabolism and circulation, effectively alleviating swelling, while at the same time moisturises the skin around the waist.

Looking forward, the Group will continue to launch new products that feature advanced technologies, innovative and environmental safety ingredients. We believe that the product sales segment will continue to make significant contribution to the Group’s results in the future.

Franchise Co-operation Business in the PRC

The Group started to tap in the PRC market in 2004 upon seeing the vast potential market in the PRC. Apart from setting up numerous points of sales in the PRC, we have sought to capture a sizeable market share and establish its brand presence in a short time through the franchising co-operation model, which we believed to be the most efficient way. After initial setbacks, this segment has started to gain a stable foothold in the PRC market and we are looking forward to further enhancing our brand presence through continuous expansion of our network of franchise co-operate beauty and slimming shops in the future.

BeautyU Online Booking Platform

Since its launch in October 2012, BeautyU (www.beautyu.com), the first online beauty and slimming service booking platform in the PRC continued to enjoy big success in soliciting beauty and slimming service providers to join, and attracting retail customers to making bookings online in accordance with their own needs. This website allows customers to enjoy shopping online without annoyed by the traditional exhausting hard-selling and prepayment practice. In leading the way of internet selling in the industry, we believe the website will bring the beauty and slimming industry to a new era and prove to be a valuable asset to the Group.

CAPITAL RESOURCES AND LIQUIDITY

Cash and bank balances as at 30 September 2014 were approximately HK\$162,201,000 compared to approximately HK\$99,647,000 as at 31 March 2014. The Group's gearing ratio of 8% (31 March 2014: 23%) was based on the bank borrowings of approximately HK\$18,886,000 and the net assets of the Group of approximately HK\$251,384,000. As at 30 September 2014, the Group's liability was approximately HK\$291,792,000, compared to approximately 232,854,000 as at 31 March 2014. It includes account payables and other payables approximately HK\$185,520,000 (31 March 2014: approximately 99,439,000), mainly for the daily operations of our subsidiary — Dong Fang, deferred income approximately HK\$13,798,000 (31 March 2014: approximately HK\$17,671,000) and bank borrowings approximately HK\$18,886,000 (31 March 2014: approximately HK\$40,291,000), bank borrowings is also for Dong Fang trading activities. Such 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 2.26:1 (31 March 2014: 2.27:1), reflecting the adequacy of financial resources. Since the Group's assets and liabilities, revenue and payments are mainly denominated in Hong Kong Dollars and Renminbi, the Group considers that there was no significant exposure to foreign exchange fluctuations.

TREASURY POLICY

The Group adopts a conservative approach towards its treasury policies. The Group evaluates the financial condition of its customers regularly so as to reduce the credit risk. The average outstanding days of the Group's accounts receivable was maintained at below 90 days. To manage liquidity risk, the Group closely monitors the Group's liquidity position to ensure the liquidity structure of the Group's assets, liabilities and commitments and to ensure that the Group can meet its funding requirements. The Group has no investments in derivatives, bonds or structured financial products.

NET ASSETS

As at 30 September 2014, the Group's net assets amounted to approximately HK\$251,384,000 compared to approximately HK\$177,760,000 as at 31 March 2014. There are no charges on the Group's assets as at 30 September 2014.

CONTINGENT LIABILITIES

As at 30 September 2014, there were no material contingent liabilities.

EMPLOYEE INFORMATION

As at 30 September 2014, the Group had around 459 employees (2013: around 511 employees). During the Period Under Review, the Group's total staff costs amounted to approximately HK\$34,020,000 (2013: approximately HK\$35,658,000).

The Group's remuneration policies are formulated on the basis of the performance and experience of individual employee and are in line with local market practices where the Group operates. In addition to the salary, the Group also offers to its employees other fringe benefits including Mandatory Provident Fund and medical benefits. The Group has a share option scheme whereby qualified participants may be granted options to acquire shares of the Company. There is an aggregate of 36,983,333 outstanding options to subscribe for 36,983,333 shares of the Company pursuant to the share option scheme as at 30 September 2014.

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

As at 30 September 2014, 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	125,328,000 (Note)	161,290,800	286,618,800	24.05%
Mr. Cheung Ka Heng, Frankie	—	2,800,000	2,800,000	0.23%

Note: The 125,328,000 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 Directors of the Company under the Company's share option scheme, details of which are as follows:

Name of Director	Date of grant	Exercisable period	Subscription price per share (Note 1)	Aggregate long position in underlying shares of the Company (Note 1)	Approximate percentage of interest in the Company's issued share capital
Mr. Cheung Ka Heng, Frankie	2 March 2011	2 March 2011 — 1 March 2016	HK\$0.283	4,666,666	0.39%

Notes:

1. The number of options and the subscription price per share have been adjusted for the Rights Issue on 26 September 2014.
2. The above interest constitutes a long position of the Director in a physically settled equity derivative for the purpose of the SFO.

Save as disclosed above, as at 30 September 2014, 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 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 <i>HK\$</i> <i>(Note)</i>	At 1 April 2014 <i>(Note)</i>	Cancelled/ lapsed during the period	At 30 September 2014 <i>(Note)</i>
Directors	2 March 2011	2 March 2011 — 1 March 2016	0.283	4,666,666	—	4,666,666
Employees	2 March 2011	2 March 2011 — 1 March 2016	0.283	18,596,667	—	18,596,667
Suppliers/ consultants	22 February 2012	22 February 2012 — 21 February 2017	0.213	13,720,000	—	13,720,000
				<u>36,983,333</u>	<u>—</u>	<u>36,983,333</u>
Weighted average exercise price				<u>HK\$0.257</u>		<u>HK\$0.257</u>
Weighted average of remaining contractual life				<u>2.28 years</u>		<u>1.78 years</u>

Note: The numbers of options and the subscription price per share have been retrospectively adjusted for the Rights Issue on 26 September 2014.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2014, so far as known to any Directors or chief executive of the Company, the following interests of which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the issued capital of the Company, or which were recorded in the register of interests required to be kept under Section 336 of the SFO or have notified to the Company were as follows:

Long position in Shares

Substantial Shareholder	Capacity	Number of shareholding	
		Share	Percentage
Biochem	Beneficial owner	125,328,000	10.52%
Dr. Cheung Yuk Shan, Shirley	Beneficial owner	161,290,800	13.53%

Save as disclosed above, as at 30 September 2014, 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 A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Currently, the Company does not have a separate Chairman and Chief Executive Officer and Dr. Cheung Yuk Shan, Shirley (“Dr. Cheung”), the founder of the Group, holds both positions. The Board believes that Dr. Cheung can guide discussions and brief the Board in a timely manner on pertinent issues given her solid experience and strong connection in the beauty sector, and that vesting the roles of both Chairman and Chief Executive Officer in her provides the Group with strong and consistent leadership and allows for more effective and efficient planning and execution of long-term business strategies.

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 four Independent Non-Executive Directors, namely Mr. Hong Po Kui, Martin, Mr. Li Kuo Hsing, Ms. Hui Yat Lam and Ms. Chiu Kam Hing, Kathy. The audit committee has reviewed the unaudited financial results of the Group for the three months and six months ended 30 September 2014.

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 2014.

On behalf of the Board
Sau San Tong Holdings Limited
Cheung Yuk Shan, Shirley
Chairman

Hong Kong, 13 November 2014

As at the date of this announcement, the Board comprises Executive Directors namely Dr. Cheung Yuk Shan, Shirley (Chairman), Mr. Cheung Ka Heng, Frankie; Independent Non-Executive Directors namely Mr. Hong Po Kui, Martin, Mr. Li Kuo Hsing, Ms. Hui Yat Lam and Ms. Chiu Kam Hing, Kathy.