



修身堂
SAU SAN TONG
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INTERIM REPORT

2016

中期業績報告

The touch of..... elegance



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

Stock Code 股份代號 : 8200

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

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 2016, together with the comparative figures of the corresponding period in 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

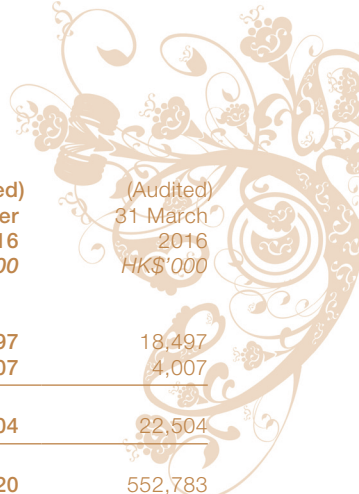
	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Turnover	2	578,504	294,894	1,101,702	798,998
Cost of sales		(507,999)	(349,647)	(966,224)	(707,070)
Gross profit		70,505	(54,753)	135,478	91,928
Other revenue		(191)	8,029	2,492	11,914
Selling and distribution costs		(22,552)	(24,213)	(46,633)	(45,428)
General and administrative expenses		(29,264)	(21,090)	(56,679)	(41,616)
Profit/(loss) from operations		18,498	(92,027)	34,658	16,798
Finance costs		(1,002)	(402)	(1,287)	(935)
Share of losses of joint ventures		—	(1,545)	—	(2,068)
Profit/(loss) before taxation	3	17,496	(93,974)	33,371	13,795
Income tax expense	4	(4,276)	(5,832)	(8,145)	(20,791)
Profit/(loss) for the period		13,220	(99,806)	25,226	(6,996)
Attributable to:					
Owners of the Company		9,784	(102,049)	19,062	(10,080)
Non-controlling interests		3,436	2,243	6,164	3,084
Profit/(loss) for the period		13,220	(99,806)	25,226	(6,996)
		<i>HK cents</i>	<i>HK cents</i> (Restated)	<i>HK cents</i>	<i>HK cents</i> (Restated)
Earnings/(loss) per share	5				
Basic		0.54	(5.60)	1.05	(0.55)
Diluted		0.52	N/A	1.02	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	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(loss) for the period	13,220	(99,806)	25,226	(6,996)
Other comprehensive income/(loss) for the period:				
Items that may be reclassified subsequently to profit or loss:				
— Exchange differences on translation of financial statements of foreign operations, net of nil tax	(39)	16	(60)	(4)
Total comprehensive profit/(loss) for the period	13,181	(99,790)	25,166	(7,000)
Attributable to:				
Owners of the Company	9,823	(101,992)	19,141	(10,053)
Non-controlling interests	3,358	2,202	6,025	3,053
	13,181	(99,790)	25,166	(7,000)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30 September 2016 HK\$'000	(Audited) 31 March 2016 HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	6	132,838	84,055
Intangible assets		2,798	3,776
Goodwill		17,480	16,884
Deposit paid		4,119	4,119
		157,235	108,834
Current assets			
Inventories		9,561	10,559
Financial assets at fair value through profit or loss	7	133,819	42,530
Trade receivables	8	327,657	212,094
Prepayments, deposits and other receivables		157,845	150,248
Amounts due from joint ventures		—	3,117
Amounts due from related parties		1,440	1,440
Cash and cash equivalents		136,777	263,867
		767,099	683,855
Current liabilities			
Bank loans		72,164	24,055
Trade payables	9	67,794	39,693
Other payables and accrued charges		81,352	64,201
Amount due to a director		204	37
Amounts due to related parties		46,525	46,366
Deferred income		19,742	18,990
Convertible notes		19,759	19,759
Current tax payable		4,770	4,301
		312,310	217,402
Net current assets		454,789	466,453
Total assets less current liabilities		612,024	575,287



<i>Notes</i>	(Unaudited) 30 September 2016 <i>HK\$'000</i>	(Audited) 31 March 2016 <i>HK\$'000</i>
Non-current liabilities		
Other long-term liability	18,497	18,497
Deferred tax liabilities	4,007	4,007
	22,504	22,504
NET ASSETS	589,520	552,783
CAPITAL AND RESERVES		
Share capital	36,422	36,422
Reserves	532,196	501,485
Total equity attributable to owners of the Company	568,618	537,907
Non-controlling interests	20,902	14,876
TOTAL EQUITY	589,520	552,783

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2016

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 2016	36,422	499,097	(3,637)	5,963	4,170	1,214	11,033	48	(16,403)	537,907	14,876	552,783
Change in equity for the period:												
Profit for the period	-	-	-	-	-	-	-	11,571	19,062	30,633	6,164	36,797
Other comprehensive income/(loss)	-	-	-	78	-	-	-	-	-	78	(138)	(60)
At 30 September 2016	36,422	499,097	(3,637)	6,041	4,170	1,214	11,033	11,619	2,659	568,618	20,902	589,520
At 1 April 2015	18,211	342,030	(3,637)	8,353	7,127	1,214	8,769	48	(15,574)	366,541	18,754	385,295
Change in equity for the period:												
Issue of shares	18,211	163,902	-	-	-	-	-	-	-	182,113	-	182,113
Share issue expenses	-	(5,353)	-	-	-	-	-	-	-	(5,353)	-	(5,353)
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(10,080)	(10,080)	3,084	(6,996)
Other comprehensive income/(loss)	-	-	-	27	-	-	-	-	-	27	(31)	(4)
At 30 September 2015	36,422	500,579	(3,637)	8,380	7,127	1,214	8,769	48	(25,654)	533,248	21,807	555,055

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	For the six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Net cash (used in)/generated from operating activities	(44,898)	(11,424)
Net cash (used in)/generated from investing activities	(147,976)	32,810
Net cash generated from financing activities	65,844	167,150
(Decrease)/increase in cash and cash equivalents	(127,030)	188,536
Cash and cash equivalents at 1 April	263,867	182,953
Effect of foreign exchange rate changes	(60)	(4)
Cash and cash equivalents at 30 September	136,777	371,485
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	136,777	371,485



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 2016.

2. Turnover and segment information

Turnover represents the invoiced value of goods supplied to customers, net of discounts, returns, value-added tax and other sales tax; service income from provision of beauty and slimming services, net of discounts; franchise fees income; net gains or losses on financial assets at fair value through profit or loss and provision of money lending service.

An analysis of the Group's turnover and operating results for the six months ended 30 September 2016 by business segments is as follows:

	For the six months ended 30 September 2016						Total HK\$'000
	Distribution sale of cosmetic and skin care products HK\$'000	Investment in securities HK\$'000	Provision of beauty and slimming services HK\$'000	Franchise operations HK\$'000	Sale of health, beauty and related products HK\$'000	Money lending service HK\$'000	
Reportable segment revenue	1,002,976	48,449	39,962	7,296	744	2,275	1,101,702
Reportable segment results	18,054	42,364	(126)	(4,645)	(114)	2,070	57,603
Unallocated corporate expenses							(25,437)
Unallocated corporate other revenue							2,492
Profit from operations							34,658
Finance costs							(1,287)
Share of loss of joint ventures							-
Profit before taxation							33,371
Income tax expense							(8,145)
Profit for the period							25,226

	For the six months ended 30 September 2015						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	741,082	14,690	34,935	7,500	791	—	796,998
Reportable segment results	12,071	15,651	(8,696)	(1,820)	(188)	—	17,018
Unallocated corporate expenses							(12,134)
Unallocated corporate other revenue							11,914
Profit from operations							16,798
Finance costs							(935)
Share of loss of joint ventures							(2,068)
Profit before taxation							13,795
Income tax expense							(20,791)
Loss for the period							(6,996)



3. Profit/(loss) before taxation

Profit/(loss) before taxation is stated after crediting and charging the followings:

	For the six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
Crediting		
Interest income	51	65
Charging		
Depreciation of property, plant and equipment	7,651	3,087
Operating lease rentals: minimum lease payments		
— property rentals	17,872	15,734
Interest on bank loans	1,087	735
Interest on convertible notes	200	200

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 2016 and for the six months ended 30 September 2015. 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	
	2016	2015
	HK\$'000	HK\$'000
Hong Kong profits tax	3,236	16,680
PRC enterprise income tax	4,909	4,111
	8,145	20,791

5. Earnings/(loss) per share

	For the three months ended 30 September		For the six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Earnings/(loss)				
Profit/(loss) attributable to owners of the Company, used in the basic earnings/(loss) per share calculation	9,784	(102,049)	19,062	(10,080)
Interest on convertible note	100		200	
Profit attributable to owners of the Company, used in the diluted earnings per share calculation	9,884		19,262	
		(Restated)		(Restated)
Shares				
Weighted average number of ordinary shares in issue, used in the basic earnings/(loss) per share calculation	1,821,135,954	1,821,135,954	1,821,135,954	1,821,135,954
Effect of conversion of convertible note	73,529,411		73,529,411	
Weighted average number of ordinary shares in issue, used in the diluted earnings per share calculation	1,894,665,365		1,894,665,365	

The assumed exercise of the outstanding share options has anti-dilutive effect and has therefore been excluded from the calculation of the diluted earnings per share for the three months and six months ended 30 September 2016.

The diluted loss per share for the three months and six months ended 30 September 2015 is the same as the basic loss 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 2016 <i>HK\$'000</i>	(Unaudited) 30 September 2015 <i>HK\$'000</i>
Opening net book amount	84,055	29,581
Additions	56,142	5,169
Disposals	292	(2,230)
Depreciation	(7,651)	(3,087)
	<hr/>	<hr/>
Closing net book amount	132,838	29,433

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

	(Unaudited) 30 September 2016 <i>HK\$'000</i>	(Audited) 31 March 2015 <i>HK\$'000</i>
Listed equity securities at fair value in Hong Kong (<i>Note</i>)	133,819	42,530

Note:

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

8. Trade receivables

As 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 2016 HK\$'000	(Audited) 31 March 2016 HK\$'000
Neither past due nor impaired	248,086	189,685
Less than 1 month past due	20,885	15,097
1 to 2 months past due	38,334	1,389
More than 2 months but less than 4 months past due	7,550	1,315
More than 4 months but less than 12 months past due	6,252	571
More than 12 months past due	6,550	4,037
	79,571	22,409
	327,657	212,094

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 2016 HK\$'000	(Audited) 31 March 2016 HK\$'000
Due within 1 month or on demand	67,794	39,693

10. Related party transactions

No interest was paid for the amount due to Dr. Cheung Yuk Shan, Shirley, a director of the Company, for the six months ended 30 September 2016 (2015: 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 2016 (2015: HK\$200,000).



INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2016 (2015: Nil).

MAJOR EVENTS

- (a) On 22 August 2016, the Company announced to propose to implement the Share Consolidation on the basis that every two (2) issued and unissued Shares of HK\$0.01 each will be consolidated into one (1) Consolidated Share of HK\$0.02 each.

The Share Consolidation has been completed and became effective on 23 September 2016.

Further details of the Share Consolidation have been disclosed in the announcements of the Company dated 22 August 2016, 5 September 2016 and 22 September 2016 and the circular of the Company dated 5 September 2016.

- (b) On 29 August 2016, Sau San Tong Holdings Inc., a wholly owned subsidiary of the Company, entered into a sales and purchase agreement (“SP Agreement”) with an individual third party for the disposal of 25% of the issued shares of one of its wholly owned subsidiary. The SP Agreement have been fulfilled and Completion took place on 14 September 2016 in accordance with the terms and conditions of the SP Agreement.

Further details of the transactions have been disclosed in the announcements of the Company dated 29 August 2016 and 14 September 2016.

- (c) On 28 September 2016, the Acquisition of Property was completed in accordance with the terms and conditions of the Formal Agreement.

Further details of the Acquisition of Property have been disclosed in the announcements of the Company dated 26 May 2016 and 28 September 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 September 2016 (the “Period Under Review”), the Group’s turnover amounted to approximately HK\$1,101,702,000, representing an increase of 38% from approximately HK\$798,998,000 in the corresponding period in last year. Such increase was 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 35% to approximately HK\$1,002,976,000 (2015: approximately HK\$741,082,000). During the Period Under Review, the net gains on financial assets at fair value through profit or loss amounted to approximately HK\$48,449,000 (2015: approximately HK\$14,690,000).

Notwithstanding the challenging market conditions encountered during the Period Under Review, the turnover generated from all our beauty, slimming and spa centres in both Hong Kong and in the People’s Republic of China (the “PRC”) amounted to approximately HK\$40,706,000 (2015: approximately HK\$35,726,000), representing an increase of 14% as compared to that of the corresponding period in last year. During the Period Under Review, the franchise co-operation business contributed HK\$7,296,000 turnover to the Group (2015: HK\$7,500,000).

At 1 June 2016, the Group commences to provide money lending services, during the Period Under Review, the revenue generated from such new business segment amounted to approximately HK\$2,275,000.

During the Period Under Review, the Group recorded an increase of approximately HK\$43,550,000 in gross profit and has generated profit attributable to owners of the Company of approximately HK\$19,062,000 (2015: loss of approximately HK\$10,080,000).



OUTLOOK

Beauty, Slimming and Spa Centres

Aggravated by the weak consumption under a sluggish economy in Hong Kong and decelerating economic growth in the PRC, as well as other negative factors such as increasing costs of sales, rising salaries and inflating rentals, the beauty, slimming and spa business was unavoidably affected to some extent in the Period Under Review. Despite that, the Group well performed as it successfully brought its fundamental advantages to the full play to resist the industry cold snap under the outstanding leadership of the management. This was a tremendous encouragement to the Group amidst the severe business environment at the present and testified to the solid strengths of the Group.

The Group has a long history in the operation of beauty, slimming and spa centres in Hong Kong and the PRC. With extensive experience in the industry and committed efforts for innovations, the Group has continuously introduced sophisticated services and products of the highest quality for its customers, winning the long-term favour of its customers for its beauty and slimming products and services while successfully establishing brand advantages and customer loyalty. To further fortify its leading position in the industry, the Group has introduced a number of new beauty, slimming and anti-ageing treatments and machineries from time to time.

Recently, the Group has introduced the INDIBA slimming and beauty treatment. Originated in Spain, this treatment adopted the core INDIBA technology that was found to generate sound results in numerous areas including medical care, sports rehabilitation, beauty and body contouring since the eighties of the last century and was used for medical treatments in Europe at first. After years of development, INDIBA has obtained the CE and JFDA certifications and was honoured with a nomination for the Nobel Prize, gold award at the Geneva International Exhibition of Inventions, gold award at the Madrid International Exhibition of Inventions and other awards. It has become a beauty and slimming project enjoying vast possibilities in terms of applications. INDIBA uses 448kHz radiofrequency to balance the electrolyte levels of the cells, nourish and revitalise the cells. At the same time, it uses the transmission of physical electricity to the cells to load them with positive and negative charges, in order to increase the movement and rubbing between the cells to achieve deep heating that will in turn promotes the circulation of blood and lymph, improve the quality of the body and enhance health. When used for slimming, INDIBA attains remarkable results in body contouring, eliminating oedema and cellulite tissue, and increasing skin elasticity. When used on the face and eyes, INDIBA can improve the healing power of the cells, tighten and lift, fight against aging, moisturise and stimulate collagen production. To look after the skin characteristics of Asian ladies and to cater for the different reactions of different body parts, Sau San Tong has developed a targeted and effective treatment by combining INDIBA with customised complementary treatments. Our customers have been eagerly looking forward to experience our INDIBA slimming and beauty treatment upon the introduction by the Group.



Being a leader in the slimming sector in Hong Kong, the Group is committed to helping its customers to regain health and beauty and has introduced many other slimming treatments, including I-lipo Ultra from the United Kingdom. This treatment combines the biolaser targeted fat-melting technology with vacuum suction technology to focus on melting the fat in the 9mm subcutaneous fat region of and then remove them from the body through the lymphatic system after metabolism. As a result, fat is removed from the body de facto to sculpt the body shape. In addition, biolaser can also promote collagen production to effectively improve stretch marks, whereas vacuum suction can increase blood circulation, enhance lymphatic detoxification, fortify cellulite tissues and improve skin elasticity.

Another treatment called RadioDerm, on the other hand, combines multipolar radiofrequency with red photons to catabolise fat and invigorate the regenerating power of skin, stimulate the production of collagen and enhance the skin texture to improve the silhouette for slimming and body contouring effects. In addition to radiofrequency and red photons, Magic Line treatment also uses vacuum technologies to accelerate the elimination of body fat after it is being catabolized. This is a non-invasive procedure requiring no “downtime” and can attain outstanding results for our customers in a short period of 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 has preserved the outstanding record of “zero complaint” and was strongly trusted by its customers. With increasingly intensive market competition, some industry players have resorted to all possible means including dishonest sales methods to secure their market shares. Coupled with various beauty and slimming incidents during recent years and seriously weak and outdated government supervision, customer confidence has been impaired. This, however, has at the same time encouraged the customer demand for quality beauty and slimming services, enabling the remarkable increase in the turnover from the beauty, slimming and spa centres of the Group in the Period Under Review, proving the market’s recognition for the quality products and services provided by the Group. Maintaining the strategy of winning with quality, the Group will continue to leverage on its professional and outstanding beauty and slimming technologies, bring its brand visibility to the full play, and operate with honest and honour, in order to win over the consumers’ trust, secure a wider business coverage in the high-end market and thereby realise sustainable growth and return.



Distribution Business in the PRC

Product distribution in the PRC is another core business of the Group and is carried out by the Group's subsidiary, Dong Fang. Dong Fang is one of the top three distributors of P&G in the greater China in terms of average sales in the PRC, and is the top distributor in the East China area. It is responsible for the overall distribution coverage in the Shanghai region and provides supply and sales services to its customers via various channels, including electrical appliances merchants, department stores channel, local modernised retail malls, supermarkets, small-sized supermarkets, convenient stores, maternity stores and cosmetic stores headquartered or regionally headquartered in Shanghai. Products involved include OLAY skincare, Head & Shoulders, Vidal Sassoon, Pantene, Rejoice, Pampers, Crest, Safeguard, Whisper, Ariel, Oral-B and Gillette. Moreover, the Company is responsible for the SK-II business in East and West China areas, covering Shanghai city, Zhejiang Province, Jiangsu Province, Anhui Province, Henan Province, Shanxi Province, Sichuan Province and Chongqing city (8 provinces and cities in total), representing a market share of 46% in China mainland.

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 rapid growth in the number of franchise co-operation shops also put “張玉珊修身堂” on the top position in the beauty and slimming industry in China.

BeautyU Online Booking Platform

Following its successful establishment of a huge franchise co-operation business in China, the Group once again stepped ahead of its competitors in launching “BeautyU” (www.beautyu.com) in 2012, an online beauty and slimming service booking platform, through which its customers can conveniently and easily order products and make appointments for different services. This platform out of the traditional hard-selling and prepayment business model was warmly welcomed by the retail customers of the Group. Moreover, this platform also functions as a channel to solicit beauty and slimming service providers to join, helping to propel the Group’s business in the PRC.

Securities Investments Business

As a move to expand its diversified business, the Group has commenced the new segment of securities investments business in March 2015 to put the idle funds of the Company into long- and short-term investments in listed securities in Hong Kong and other recognised securities markets in the overseas as well as wealth management products purchased from banks and other financial institutions, with a view to generate additional income outside its retail business, to widen its revenue base and minimise the risks of the Group on the overall, in order to enhance the capital use of the Company as well as the interests of the Company and its shareholders on the overall.



CAPITAL RESOURCES AND LIQUIDITY

Cash and bank balances as at 30 September 2016 were approximately HK\$136,777,000 compared to approximately HK\$263,867,000 as at 31 March 2016. The Group's gearing ratio of 12% (31 March 2016: 4.4%) was based on the bank borrowings of approximately HK\$72,164,000 (31 March 2016: approximately HK\$24,055,000) and the net assets of the Group of approximately HK\$589,520,000 (31 March 2016: approximately HK\$552,783,000). As at 30 September 2016, the Group's liability was approximately HK\$334,814,000, compared to approximately 239,906,000 as at 31 March 2016. It includes account payables and other payables approximately HK\$149,146,000 (31 March 2016: approximately HK\$103,894,000), mainly for the daily operations of our subsidiary – Dong Fang, deferred income approximately HK\$19,742,000 (31 March 2016: approximately HK\$18,990,000) and bank borrowings approximately HK\$72,164,000 (31 March 2016: approximately HK\$24,055,000), 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 2.5:1 (31 March 2016: 3.15:1), reflecting the adequacy of financial resources.

TREASURY POLICY

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

NET ASSETS

As at 30 September 2016, the Group's net assets amounted to approximately HK\$589,520,000 compared to approximately HK\$552,783,000 as at 31 March 2016. There are no charges on the Group's assets as at 30 September 2016.

CONTINGENT LIABILITIES

As at 30 September 2016, there were no material contingent liabilities.

EMPLOYEE INFORMATION

As at 30 September 2016, the Group had 532 employees (2015: 491 employees). During the Period Under Review, the Group's total staff costs amounted to approximately HK\$42,354,000 (2015: approximately HK\$35,854,000).

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.

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

As at 30 September 2016, the interests or short positions of the Directors and the chief executive of the Company or their respective associates in shares and underlying shares (the "Shares") of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and/or short positions which they are deemed or taken to have under such provisions of the SFO, or which will be required, pursuant to section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long position in shares of the Company

Name of Director	Number of shares			Approximate percentage of interest in the Company's issued share capital
	Corporate interests	Personal interests	Total	
Dr. Cheung Yuk Shan, Shirley	62,664,000 <i>(Note)</i>	80,645,400	143,309,400	7.87%

Note: The 62,664,000 shares were held by Biochem Investments Limited ("Biochem"), a company incorporated in the British Virgin Islands with limited liability. The entire issued share capital of Biochem is wholly owned by Dr. Cheung Yuk Shan, Shirley.



Long position in underlying shares of the Company

Share Option Scheme

The interests in the underlying shares of the Company arise from share options granted to the Director and the chief executive of the Company under the Company's share option scheme, details of which are as follows:

Name of director/ chief executive	Date of grant	Exercisable period	Subscription price per share	Aggregate long position in underlying shares of the Company	Approximate percentage interest in the Company's issued share capital
Mr. Mui Wai Sum	10 March 2016	10 March 2016 – 9 March 2021	HK\$0.132	18,211,359	1.00%
Ms. Kwan Fei Ying	10 March 2016	10 March 2016 – 9 March 2021	HK\$0.132	18,211,359	1.00%

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

Save as disclosed above, as at 30 September 2016, none of the Directors or chief executive of the Company or their respective associates has any personal, family, corporate or other interests or short positions in the shares of the Company or its associated corporations (within the meaning of Part XV of SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to the minimum standard of dealings by Directors and the chief executive of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, are required to be notified to the Company and the Exchange.

SHARE OPTION SCHEME

	Date of grant	Exercisable period	Subscription price per share HK\$ (Note)	At 1 April 2016 (Note)	Cancelled/ lapsed during the period	At 30 September 2016 (Note)
Directors	10 March 2016	10 March 2016 – 9 March 2021	0.132	18,211,359	–	18,211,359
Chief Executive Officer	10 March 2016	10 March 2016 – 9 March 2021	0.132	18,211,359	–	18,211,359
Suppliers/ consultants	22 February 2012	22 February 2012 – 21 February 2017	0.424	6,894,300	–	6,894,300
				43,317,018	–	43,317,018
Weighted average exercise price				HK\$0.1785		HK\$0.1785
Weighted average of remaining contractual life				3.65 years		3.33 years

Note: The numbers of options and the subscription price per share have been retrospectively adjusted for the Share Consolidation on 23 September 2016, the Open Offer on 25 September 2015 and the Right Issue on 26 September 2014.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2016, 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
Like Capital Limited <i>(Note 1) (formerly known as CNI Capital Limited)</i>	Beneficial owner	174,200,000	9.57%
Ethnocentric Investment Limited <i>(Note 1)</i>	Interest in a controlled corporation	174,200,000	9.57%
Capital VC Limited <i>(Note 1)</i>	Interest in a controlled corporation	174,200,000	9.57%
China Mobile Games and Entertainment Group Limited	Beneficial owner	170,976,000	9.39%
Yau Chung Chung	Beneficial owner	122,600,000	6.73%

Note 1: Like Capital Limited is a company incorporated in Hong Kong with limited liability which is wholly owned by Ethnocentric Investment Limited, a company incorporated in the British Virgin Islands with limited liability, which is in turn wholly owned by Capital VC Limited, a company incorporated in the Cayman Islands and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 2324). As such, each of Ethnocentric Investment Limited and Capital VC Limited is deemed to be interested in all the 174,200,000 Share held by Like Capital Limited.

Save as disclosed above, as at 30 September 2016, 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.

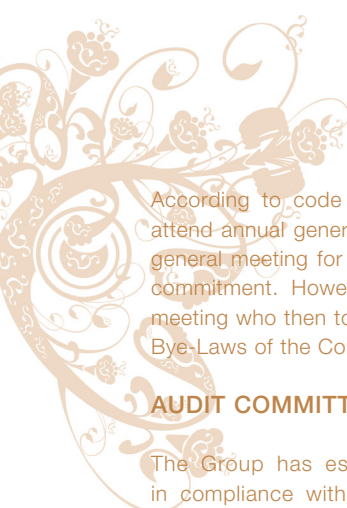
COMPETING INTERESTS

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.



According to code provision E.1.2, the chairman of the Board of Directors should attend annual general meetings. The Chairman of the Board did not attend the annual general meeting for the year 2016 held on 30 September 2016 due to other business commitment. However, the other executive director, present at the annual general meeting who then took the chair of that meeting in accordance with Bye-Law 63 of the Bye-Laws of the Company.

AUDIT COMMITTEE

The Group has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The audit committee comprises three Independent Non-Executive Directors, namely Mr. Hong Po Kui, Martin, Ms. 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 2016.

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 2016.

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

Hong Kong, 11 November 2016

As at the date of this report, the Board comprises Executive Directors namely Dr. Cheung Yuk Shan, Shirley (Chairman) and Mr. Mui Wai Sum; Non-executive Director namely Mr. Takashi Togo; Independent Non-executive Directors namely Mr. Hong Po Kui, Martin, Ms. Hui Yat Lam and Ms. Chiu Kam Hing, Kathy.

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SSS
修身堂
SAU SAN TONG



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

16/F., PROSPERITY TOWER, 39 QUEEN'S ROAD CENTRAL, CENTRAL, HONG KONG
香港中環皇后大道中39號豐盛創建大廈16樓