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 YEAR ENDED 31 MARCH 2016

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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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; (2) there are no other matters the omission of which would make any statement herein or in this announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at www.sausantong.com.

* *for identification purpose only*

The Board of Directors (the "Board") of Sau San Tong Holdings Limited (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2016, together with the comparative audited figures for the year ended 31 March 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2016

	Note	**2016** **HK$'000**	2015 *HK$'000*
Turnover	*2*	**1,693,550**	1,548,256
Cost of sales		**(1,509,127)**	(1,335,614)
Gross profit		**184,423**	212,642
Other revenue	*3*	**21,172**	12,791
Other net income	*3*	**718**	5,434
Selling and distribution costs		**(83,783)**	(80,620)
General and administrative expenses		**(103,377)**	(97,964)
Profit from operations		**19,153**	52,283
Finance costs	*4*	**(3,165)**	(4,424)
Share of losses of joint ventures		**—**	(2,047)
Profit before taxation	*4*	**15,988**	45,812
Income tax expense	*5*	**(11,400)**	(7,818)
Profit for the year		**4,588**	37,994
Attributable to:			
Owners of the Company		**(3,744)**	37,527
Non-controlling interests		**8,332**	467
		4,588	37,994
		HK cents	*HK cents* (restated)
(Loss)/earnings per share	*7*		
— Basic		**(0.14)**	3.52
— Diluted		**(0.10)**	2.92

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	2016	2015
	HK$'000	*HK$'000*
Profit for the year	**4,588**	37,994
Other comprehensive (loss)/income for the year:		
Items that may be reclassified subsequently to profit or loss:		
— Exchange differences on translation of financial statements of foreign operations, net of nil tax	**(5,106)**	884
— Reclassification adjustment for the cumulative exchange gain on translation of financial statements of foreign operations transferred to profit or loss upon deregistration of a subsidiary, net of nil tax	**—**	(5)
Other comprehensive (loss)/income for the year	**(5,106)**	879
Total comprehensive (loss)/income for the year	**(518)**	38,873
Attributable to:		
Owners of the Company	**(6,134)**	37,984
Non-controlling interests	**5,616**	889
	(518)	38,873

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**84,055**	29,581
Intangible assets		**3,776**	4,908
Goodwill		**16,884**	320
Interests in joint ventures		**—**	—
Deposit paid		**4,119**	—
		108,834	34,809
Current assets			
Inventories		**10,559**	18,712
Financial assets at fair value through profit or loss		**42,530**	95,400
Trade receivables	*9*	**212,094**	139,351
Prepayments, deposits and other receivables		**150,248**	115,796
Amounts due from joint ventures		**3,117**	—
Amounts due from related parties		**1,440**	8,784
Cash and cash equivalents		**263,867**	182,953
		683,855	560,996
Current liabilities			
Bank loans		**24,055**	31,734
Trade payables	*10*	**39,693**	51,758
Other payables and accrued charges		**64,201**	70,315
Amount due to a director		**37**	39
Amounts due to joint ventures		**—**	1,854
Amounts due to related parties		**46,366**	—
Deferred income		**18,990**	11,708
Convertible notes		**19,759**	—
Current tax payable		**4,301**	1,646
		217,402	169,054
Net current assets		**466,453**	391,942
Total assets less current liabilities		**575,287**	426,751
Non-current liabilities			
Convertible notes		**—**	19,290
Other long-term liability		**18,497**	17,786
Deferred tax liabilities		**4,007**	4,380
		22,504	41,456
NET ASSETS		**552,783**	385,295
CAPITAL AND RESERVES			
Share capital		**36,422**	18,211
Reserves		**501,485**	348,330
Total equity attributable to owners of the Company		**537,907**	366,541
Non-controlling interests		**14,876**	18,754
TOTAL EQUITY		**552,783**	385,295

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Attributable to owners of the Company											
	Share capital *HK$'000*	Share premium *HK$'000*	Merger reserve *HK$'000*	Exchange reserve *HK$'000*	Share-based payment reserve *HK$'000*	Convertible notes reserve *HK$'000*	The PRC statutory surplus reserve *HK$'000*	Other reserve *HK$'000*	Acc-umulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'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
Changes in equity for 2015:												
Profit for the year	—	—	—	—	—	—	—	—	37,527	37,527	467	37,994
Other comprehensive income	—	—	—	457	—	—	—	—	—	457	422	879
Total comprehensive income for the year	—	—	—	457	—	—	—	—	37,527	37,984	889	38,873
Cancellation of share options	—	—	—	—	(623)	—	—	—	623	—	—	—
Appropriation to the PRC statutory surplus reserve	—	—	—	—	—	—	2,096	—	(2,096)	—	—	—
Conversion of convertible notes into ordinary shares	2,128	29,053	—	—	—	(711)	—	—	—	30,470	—	30,470
Issue of shares	13,103	135,850	—	—	—	—	—	—	—	148,953	—	148,953
Share issue expenses	—	(4,266)	—	—	—	—	—	—	—	(4,266)	—	(4,266)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(6,495)	(6,495)
	15,231	160,637	—	457	(623)	(711)	2,096	—	36,054	213,141	(5,606)	207,535
At 31 March 2015	18,211	342,030	(3,637)	8,353	7,127	1,214	8,769	48	(15,574)	366,541	18,754	385,295
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**
Changes in equity for 2016:												
Profit for the year	—	—	—	—	—	—	—	—	**(3,744)**	**(3,744)**	**8,332**	**4,588**
Other comprehensive loss	—	—	—	**(2,390)**	—	—	—	—	—	**(2,390)**	**(2,716)**	**(5,106)**
Total comprehensive loss for the year	—	—	—	**(2,390)**	—	—	—	—	**(3,744)**	**(6,134)**	**5,616**	**(518)**
Equity-settled share-based transactions	—	—	—	—	**2,222**	—	—	—	—	**2,222**	—	**2,222**
Expiration of share options	—	—	—	—	**(5,179)**	—	—	—	**5,179**	—	—	—
Appropriation to the PRC statutory surplus reserve	—	—	—	—	—	—	**2,264**	—	**(2,264)**	—	—	—
Issue of shares	**18,211**	**163,902**	—	—	—	—	—	—	—	**182,113**	—	**182,113**
Share issue expenses	—	**(6,835)**	—	—	—	—	—	—	—	**(6,835)**	—	**(6,835)**
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	**(9,494)**	**(9,494)**
	18,211	**157,067**	—	**(2,390)**	**(2,957)**	—	**2,264**	—	**(829)**	**171,366**	**(3,878)**	**167,488**
At 31 March 2016	**36,422**	**499,097**	**(3,637)**	**5,963**	**4,170**	**1,214**	**11,033**	**48**	**(16,403)**	**537,907**	**14,876**	**552,783**

Notes:

1. Basis of preparation

The consolidated financial statements for year ended 31 March 2016 comprise the Company and its subsidiaries (together the "Group") and the Group's interests in joint ventures.

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules.

The measurement basis used in the preparation of consolidated financial statements is the 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 HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKAS 19, Employee benefits: Defined benefit plans: Employee contributions

Annual Improvements to HKFRSs 2010 - 2012 Cycle

Annual Improvements to HKFRSs 2011 - 2013 Cycle

Except as described below, the above amendments do not have significant impact on the Group's consolidated financial statements.

The two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related party disclosures, has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosures of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

The Group has not applied any new or revised HKFRSs that is not yet effective for the current accounting period.

2. Turnover

The principal activities of the Group are the distribution sale of cosmetic and skin care products, provision of beauty and slimming services, provision of franchise services, sale of health, beauty and related products and investment in securities.

Turnover represents the invoiced value of goods supplied to customers, net of discounts, returns, value added tax or other sales taxes; service income from provision of beauty and slimming services, net of discounts; franchise fees income; net gains or losses on financial assets at fair value through profit or loss. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2016	2015
	HK$'000	*HK$'000*
Distribution sale of cosmetic and skin care products	**1,572,106**	1,398,485
Provision of beauty and slimming services	**71,322**	42,977
Provision of franchise services	**10,207**	6,113
Sale of health, beauty and related products	**8,276**	14,281
Realised gains on financial assets at fair value through profit or loss	**25,977**	—
Net unrealised gains on financial assets at fair value through profit or loss	**5,662**	86,400
	1,693,550	1,548,256

Segment information are set out in note 8 to this results announcement.

3. Other revenue and net income

	2016	2015
	HK$'000	*HK$'000*
Other revenue		
Referral fee income	**12,374**	8,703
Management fee income	**7,101**	3,734
Interest income	**1,363**	348
Others	**334**	6
	21,172	12,791
Other net income		
Subsidy income from the PRC government	**2,598**	2,964
Net loss on disposal of property, plant and equipment	**(259)**	(379)
Net foreign exchange (loss)/gain	**(1,682)**	2,306
Net foreign exchange gain: reclassified from equity on deregistration of a subsidiary	**—**	5
Others	**61**	538
	718	5,434

4. Profit before taxation

Profit before taxation is arrived after charging:

		2016 *HK$'000*	2015 *HK$'000*
(a)	Finance costs:		
	Interest on bank loans	**1,585**	1,904
	Interest on convertible notes	**869**	1,836
	Interest on other long-term liability	**711**	684
		3,165	4,424
(b)	Other items:		
	Staff costs	**90,036**	78,220
	Cost of inventories sold and services provided*	**1,509,127**	1,335,614
	Auditors' remuneration	**1,608**	1,532
	Amortisation of intangible assets	**1,843**	1,814
	Depreciation of property, plant and equipment	**12,463**	9,385
	Provision for impairment losses on		
	— trade receivables	**134**	63
	— other receivables	**205**	270
	Write off of		
	— other receivables	**3,785**	9,931
	— deposits paid	**—**	1,458
	— amounts due from related parties	**910**	6,321
	Operating lease rentals: minimum lease payments		
	— property rentals	**29,843**	25,200

* Cost of inventories sold and services provided includes HK$1,262,000 (2015: HK$1,339,000) relating to staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

5. Income tax in the consolidated statement of profit or loss

Taxation in the consolidated statement of profit or loss represents:

	2016	2015
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**2,766**	—
Current tax – PRC Enterprise Income Tax		
Provision for the year	**8,644**	8,261
Under/(over) provision in respect of prior years	**136**	(135)
	8,780	8,126
Deferred tax		
Origination and reversal of temporary differences	**(146)**	(308)
Income tax expense	**11,400**	7,818

(i) The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% of the estimated assessable profits for the year. No provision for Hong Kong Profits Tax was made for 2015 as the companies in the Group either have sustained tax losses or have no assessable profits for Hong Kong Profits Tax purposes. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in relevant countries.

(ii) Under the PRC tax law, profits of the Group's subsidiaries in the PRC (the "PRC subsidiaries") derived since 1 January 2008 is subject to withholding income tax at rates of 5% or 10% upon the distribution of such profits to foreign investors or companies incorporated in Hong Kong or for other foreign investors, respectively. Pursuant to the grandfathering arrangements of the PRC tax law, dividends receivable by the Group from the PRC subsidiaries in respect of the undistributed profits derived prior to 31 December 2007 are exempt from the withholding income tax.

At 31 March 2016 and 2015, no deferred tax liabilities have been recognised in respect of tax that would be payable on the unremitted profits of the PRC subsidiaries derived since 1 January 2008 as the directors of the Company is in a position to control the dividend policies of the PRC subsidiaries and no distribution of such profits is expected to be declared from the PRC subsidiaries in the foreseeable future.

6. Dividend

The Directors do not recommend the payment of a dividend for the year ended 31 March 2016 (2015: HK$Nil).

7. (Loss)/earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately HK$3,744,000 (2015: profit of HK$37,527,000) and the weighted average number of ordinary shares of approximately 2,765,962,000 (2015 (restated): 1,064,722,000) shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2016	2015
	'000	*'000*
		(restated)
Issued ordinary shares at 1 April	**1,830,242**	698,699
Effect of rights issue	—	255,688
Effect of shares issued under open offer	**935,720**	—
Effect of shares issued under placings	—	33,435
Effect of conversion of convertible notes	—	76,900
Weighted average number of ordinary shares at 31 March	**2,765,962**	1,064,722

The weighted average number of ordinary shares for 2016 and 2015 above has been adjusted for the open offer which was completed on 25 September 2015.

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share for the year ended 31 March 2016 is based on the loss attributable to owners of the Company of approximately HK$2,875,000 (2015: profit of HK$39,363,000) and the weighted average number of ordinary shares of 2,913,332,000 (2015 (restated): 1,348,366,000) shares, calculated as follows:

(i) (Loss)/profit attributable to owners of the Company (diluted)

	2016	2015
	HK$'000	*HK$'000*
(Loss)/profit attributable to owners of the Company	**(3,744)**	37,527
After tax effect of effective interest in the liability component of convertible notes	**869**	1,836
(Loss)/profit attributable to owners of the Company (diluted)	**(2,875)**	39,363

(ii) Weighted average number of ordinary shares (diluted)

	2016	2015
	'000	*'000*
		(restated)
Weighted average number of ordinary shares at 31 March	**2,765,962**	1,064,722
Effect of share options exercised	**311**	—
Effect of conversion of convertible notes	**147,059**	283,644
Weighted average number of ordinary shares (diluted) at 31 March	**2,913,332**	1,348,366

The assumed exercise of the outstanding share options for the year ended 31 March 2015 has anti-dilutive effect and has therefore been excluded from the above calculation.

8. Segment reporting

Management has determined the operating segments based on the reports reviewed by the Directors that are used to make strategic decisions. The Directors review the Group's financial information mainly from business lines prospective. Accordingly, the Group's operating segments are:

(i) Distribution sale of cosmetic and skin care products

(ii) Provision of beauty and slimming services

(iii) Franchise operations (including sale of health, beauty and related products to franchised shops)

(iv) Sale of health, beauty and related products

(v) Investment in securities

The Directors assess the performance of the operating segments based on a measure of reportable segment results. This measurement basis excludes certain other revenue, other net income, finance costs, share of results of joint ventures and unallocated expenses.

Segment assets mainly exclude certain property, plant and equipment, current tax assets and other assets that are managed on a central basis. Segment liabilities mainly exclude current income tax liabilities, deferred tax liabilities and other liabilities that are managed on a central basis.

(a) Segment results, assets and liabilities

	Distribution sale of cosmetic and skin care products		Provision of beauty and slimming services		Franchise operations		Sale of health, beauty and related products		Investment in securities		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue	**1,572,106**	1,398,485	**71,322**	42,977	**16,066**	19,569	**2,417**	825	**31,639**	86,400	**1,693,550**	1,548,256
Reportable segment results	**22,959**	25,005	**(16,462)**	(41,485)	**(8,995)**	(7,875)	**1,102**	156	**31,443**	86,330	**30,047**	62,131
Unallocated corporate expenses											**(10,894)**	(9,848)
Profit from operations											**19,153**	52,283
Finance costs											**(3,165)**	(4,424)
Share of losses of joint ventures											**—**	(2,047)
Profit before taxation											**15,988**	45,812
Income tax expense											**(11,400)**	(7,818)
Profit for the year											**4,588**	37,994
Provision for impairment losses on												
— Trade receivables	**134**	63	**—**	—	**—**	—	**—**	—	**—**	—	**134**	63
— Other receivables	**—**	—	**55**	270	**—**	—	**150**	—	**—**	—	**205**	270
Write off of												
— Other receivables	**—**	—	**1,499**	6,907	**2,286**	3,024	**—**	—	**—**	—	**3,785**	9,931
— Deposits paid	**—**	—	**—**	1,458	**—**	—	**—**	—	**—**	—	**—**	1,458
— Amounts due from related parties	**—**	—	**910**	6,321	**—**	—	**—**	—	**—**	—	**910**	6,321
Amortisation of intangible assets	**—**	—	**1,843**	1,814	**—**	—	**—**	—	**—**	—	**1,843**	1,814
Depreciation of property, plant and equipment	**1,036**	1,443	**10,296**	7,414	**333**	499	**25**	—	**—**	—	**11,690**	9,356
Segment assets												
— Property, plant and equipment	**2,832**	3,319	**31,320**	25,615	**911**	613	**8**	—	**—**	—	**35,071**	29,547
— Intangible assets	**—**	—	**3,776**	4,908	**—**	—	**—**	—	**—**	—	**3,776**	4,908
— Other assets	**227,850**	232,311	**201,788**	125,249	**13,114**	19,857	**874**	741	**155,185**	121,341	**598,811**	499,499
Unallocated corporate assets											**155,031**	61,851
Total assets											**792,689**	595,805
Segment liabilities	**(145,481)**	(127,705)	**(28,011)**	(22,192)	**(17,519)**	(14,542)	**—**	—	**—**	—	**(191,011)**	(164,439)
Unallocated corporate liabilities											**(48,895)**	(46,071)
Total liabilities											**(239,906)**	(210,510)
Additions to segment non-current assets	**784**	1,203	**14,774**	5,330	**669**	—	**33**	—	**—**	—	**16,260**	6,533

(b) *Geographical information*

The Group's revenue from external customers and information about its non-current assets by geographical locations are as follows:

	The PRC		Hong Kong		Total	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**1,613,262**	1,437,519	**80,288**	110,737	**1,693,550**	1,548,256
Non-current assets	**20,327**	23,386	**88,507**	11,423	**108,834**	34,809

(c) *Major customers*

During the year ended 31 March 2016, three (2015: two) customers with whom transactions exceeded 10% of the Group's revenue. Revenue from distribution sale of cosmetic and skin care products to these customers in the PRC is set out below:

	2016	2015
	HK$'000	*HK$'000*
Customer A	**557,937**	314,390
Customer B	**235,562**	242,458
Customer C	**278,938**	N/A#

The corresponding revenue did not contribute 10% or more of the total revenue.

9. Trade receivables

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**212,949**	140,115
Less: allowance for doubtful debts	**(855)**	(764)
	212,094	139,351

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:

	2016	2015
	HK$'000	*HK$'000*
Less than 1 month	**163,243**	107,601
1 to 2 months	**39,910**	24,851
More than 2 months but less than 4 months	**3,131**	2,741
More than 4 months but less than 12 months	**1,625**	1,294
More than 12 months	**4,185**	2,864
	212,094	139,351

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

10. Trade payables

Included in trade payables are trade creditors with the following ageing analysis as of the end of the reporting period:

	2016	2015
	HK$'000	*HK$'000*
Due within 1 month or on demand	**39,693**	51,758

11. Business combination

On 12 June 2015, Creative Time Investments Limited, a wholly-owned subsidiary of the Group, acquired the entire equity interests in I Pro Medical Skin Care Centre Limited ("iPro") from an independent third party (the "Vendor") and all debts owned by iPro to the Vendor for a cash consideration of HK$18,000,000. iPro is principally engaged in the operation of a beauty centre for the provision of slimming and beauty services in Hong Kong.

The fair value of the identifiable assets and liabilities arising from the acquisition as at the date of acquisition is as follows:

	HK$'000
Property, plant and equipment	2,476
Trade receivables	4,029
Prepayment and other deposits	1,102
Cash and cash equivalents	3,497
Other payables and accrued charges	(30)
Shareholder's loan	(5,862)
Deferred income	(9,638)
Fair value of net identifiable liabilities acquired	(4,426)
Goodwill arising on acquisition	16,564
Assignment of a shareholder's loan	5,862
Total consideration, satisfied by cash	18,000

Net cash outflow arising on the acquisition:

Cash consideration paid	18,000
Less: cash and cash equivalents acquired	(3,497)
	14,503

Acquisition-related costs of HK$184,000 arising from acquisition is included in "general and administrative expenses" in the consolidated statement of profit or loss.

The goodwill arising on this acquisition is attributable to the expected synergies, earnings growth, future market development and the assembled workforce of iPro. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identified intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Impact of acquisition on the results of the Group:

iPro contributed HK$18,673,000 to turnover and profit of HK$6,477,000 to the Group's results for the year.

Had this business combination been effected on 1 April 2015, iPro would have contributed HK$23,634,000 to turnover and profit of HK8,473,000 to the Group's results for the year. This pro-forma information is for illustration purposes and should not be viewed as an indication of the result of operations that would have occurred if the acquisition had been completed on 1 April 2015.

12. Events after the reporting period

(a) On 26 May 2016, Silver Ally International Limited, a wholly-owned subsidiary of the Group, entered into a provisional sale and purchase agreement with an independent third party to acquire a property situated in Hong Kong for a cash consideration of HK$41,000,000.

(b) On 11 May 2016, Trillion Well International Finance Company Limited, a wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with an independent third party for the acquisition of the entire equity interest in Sun Fung Capital Limited ("Sun Fung") for a cash consideration of HK$480,000. Sun Fung is a company incorporated in Hong Kong with limited liability and is principally engaged in the provision of money lending services in Hong Kong.

(c) On 23 May 2016, Sau San Tong (Beijing) Investments Limited, a wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with the other joint venturer for the acquisition of the remaining 50% equity interest in Wealthy Sound Limited for a cash consideration of HK$4,494,000. After the completion of the acquisition, Wealthy Sound Limited and its subsidiary will become wholly-owned subsidiaries of the Group.

13. Comparative figures

In prior year, gains or losses arising from changes in fair value of financial assets at fair value through profit or loss, including net gains or losses on disposal and remeasurement of fair value, are presented in the consolidated statement of profit or loss as a separate line item. Such gains or losses were recognised in the consolidated statement of profit or loss within "Turnover" from 1 April 2015 as the directors believe it as more appropriate to reflect the fact that the "Investment in securities" business is an identifiable business segment and one of the principal activities of the Group. Accordingly, the relevant comparative figures have also been reclassified to conform to current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2016, the economic growth rate for the first season in Hong Kong was merely 0.8%, mirroring the continuing economic slowdown. Spending is going to remain constrained under the expectations for a weakening economy, and the beauty and slimming industry will inevitably continue to be dragged. Despite such a backdrop, the Group successfully leveraged on its excellent brand visibility and solid customer base in both Hong Kong and China to brave the headwind afflicting the industry.

For the year ended 31 March 2016 (the "Year Under Review"), the Group recorded a turnover of approximately HK$1,693,550,000, representing an increase of 9.4% from approximately HK$1,548,256,000 of last year. This was mainly attributable to a significant growth of 66.0% in the contributions from the core business of provision of beauty and slimming services. In the recent year, given that the Hong Kong population maintains the predominance of females over males and that many Hong Kong females belong to the high-earning group, females have become an important consumer group for the Hong Kong retail market with the beauty and slimming services and products being increasingly viewed as daily necessities more than luxuries. On the other hand, the demand for beauty and slimming services and products in the People's Republic of China (the "PRC") was stimulated by the increasing middle-class population. The Group is positive that still more prosperous results can be accomplished by riding on the industry leadership in Hong Kong and China and sound reputation and customer confidence it has built over the years. The business of distribution sales of cosmetic and skin care products of Shanghai Dong Fang Ri Hua Sales Co. Ltd. ("Dong Fang") maintained a steady growth momentum, generating a contribution to the turnover of approximately HK$1,572,106,000, up by 12.4% from approximately HK$1,398,485,000 of last year, forming another stable source of revenues for the Group.

Profit for the year decreased significantly from approximately HK$37,994,000 of 2015 to approximately HK$4,588,000, as the securities investments business newly set up last year brought along net unrealised gains on financial assets at fair value through profit or loss of approximately HK$86,400,000 in 2015, while merely approximately HK$25,977,000 of realised gains and approximately HK$5,662,000 of net unrealised gains were recorded for the year due to a sluggish stock market in 2016.

As at 31 March 2016, cash and bank balances increased to approximately HK$263,867,000 (2015: approximately HK$182,953,000), whereas liquidity ratio (represented by a ratio of current assets over current liabilities) was 3.15:1 (2015: 3.32:1), reflecting the adequacy of financial resources.

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 Year Under Review. Despite that, the Group recorded a 9.4% increase in the overall turnover as compared to last year 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 during the year under review.

Amongst them, the Group has introduced the INDIBA slimming and beauty treatment in September 2015. 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 during the year, 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 Year 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. Envying 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. Since the efforts to developing the franchise co-operation business in full sail since December 2010, we have entered into more than 160 franchise co-operation contracts as at 31 March 2016. 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, and continued to generate satisfactory results during the Year Under Review. 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. During the Year Under Review, the Group has recorded a revenue of approximately HK$31,639,000 from its investments in the Hong Kong stock market, encompassing investments in a high variety of industries including construction, real estates, information technology, software services, finance, hotels, printing, industry and natural resources, with the objective of minimising the risks while maximising the return. As at 31 March 2016, financial assets at fair value through profit or loss amounted to approximately HK$42,530,000.

Acquisition of Properties

During the Year Under Review, despite a weak retail industry, the Group leveraged on its solid strengths and adequate funds to acquire the entire 5th floor of a commercial building in a prime location in Tsim Sha Tsui at a consideration of HK$45,576,000 on 8 May 2015, capitalising on the opportunities brought by a sluggish property market. On the one hand, the property can be used for own use purpose in the future when the rentals go up for establishment of a beauty, slimming and spa centre to spare the Group the issue of escalating rentals. On the other hand, it can be used as an investment for appreciation and enhancing the quality of the Group's assets. The acquisition was completed on 23 October 2015.

As it has been renting a number of premises in Hong Kong as its offices as well as beauty, slimming and spa centres, and given its optimistic view on the long-term prospects of the property market in Hong Kong, the Group has long been searching for appropriate investment opportunities and has continued to acquire additional properties subsequent to the Year Under Review. On 26 May 2016, the Group has acquired the entire 16th floor of the same commercial building abovementioned at a consideration of HK$41,000,000. The vendor shall deliver vacant possession of the property to the Group upon completion of acquisition. The property is currently occupied by the vendor for own use purpose. The Group intends to hold the property for investment purposes, or self-use as a beauty, slimming and spa centre and will, depending on the then market circumstances, lease out all or part of the property for rental income. The Board believes that the acquisition of the property represented a prime opportunity for the Group to invest in commercial properties, and can enhance the operating results of the Group in the mid- to long-term.

Outlook

The Group played the strengths it has long established to attain a growth in turnover last year with quality service and products, honest operation, excellent reputation and good words of mouth. In face of the slowdown of economic growth in its two major markets, namely China and Hong Kong, with the economic growth forecast in Hong Kong being merely 1-2% for 2016, and the consumer sentiment continuing to be adversely affected, the Group will continue to consistently maintain a positive attitude to explore, research and develop more sophisticated and effective health and beauty products and professional treatments, in order to meet the pursuit and demand for beauty and health by the ladies in Hong Kong and China and in turn achieve stable growth and enhance the performance of the Group's core business. Meanwhile, the Group is also devoted to the training of its people, and has specifically devised training courses targeted at the employees of the franchise co-operation shops on the mainland market, with the aim to ensure the consistence in the quality of operation and services of the beauty, slimming and spa centres across different places.

In addition, parallel to its focus on the beauty and slimming business, the Group will also utilise the abundant funds on hand to identify new investment opportunities, including appropriate and timely investments in securities and properties, with the objectives of generating additional return, broadening its revenue base, enhance the efficiency of capital use and further promote the performance of the Group in different areas. The Group will meticulously select sound investments with high return potentials. Moving forward, the Group will concentrate on bring its strengths, customer base, reputation and other advantages into full play in order to actualise stable growth of its core business. This will be complemented with careful investments in the effort to bring along more rewarding returns to our investors.

Corporate Social Responsibility

As a leader in the beauty and slimming industry, the Group is dedicated to leading the way in enhancing the safety level of the sector. We have always attached great importance to the safety of our services and products and exercises stringent quality control on its products. The machines and materials used in our treatment services have passed vigorous safety tests and attained international safety standards. Beauty and slimming consultants and technicians of both the direct operations and franchise co-operation businesses of the Group all received professional training to ensure the provision of safe services of high quality. Moreover, the Group is the first slimming company in Hong Kong to set up a free health services hotline to provide consultation services on weight management. This move is targeted to take care of different walks of society through suggesting to those looking to improve their body the correct ways for a balanced diet, free of charge.

Awards

Widely recognised and highly praised for its outstanding products and services, the Group was proud to receive "The Creditable Business Awards of Asian Beauty Industry" from the Hong Kong Hair & Beauty Merchants Association during the Year Under Review, and is honoured to be the "Caring Company" for eight consecutive years.

Charity

Since its establishment, the Group has been actively partaking in charity affairs and has set up the "Sau San Tong Volunteer Team" in an effort to support different charity initiatives. During the Year Under Review, the Group continued to make regular charity donations in the pursuit for inner beauty, alongside with its yearning for physical perfection.

Capital Structure, Liquidity and Financial Resources

Cash and bank balances as at 31 March 2016 were approximately HK$263,867,000 compared to approximately HK$182,953,000 as at 31 March 2015. Gearing ratio of the Group was 4.4% (2015: 8.2%), based on total of bank borrowings of approximately HK$24,055,000 (2015: approximately HK$31,734,000) and the net assets of approximately HK$552,783,000 (2015: approximately HK$385,295,000). As at 31 March 2016, liability of the Group amounted to approximately HK$239,906,000 (2015: approximately HK$210,510,000), including trade and other payables of approximately HK$103,894,000 (2015: approximately HK$122,073,000) arising mainly from the daily operations of our subsidiary, Dong Fang, deferred income of approximately HK$18,990,000 (2015: approximately HK$11,708,000), and bank borrowings of approximately HK$24,055,000 (2015: approximately HK$31,734,000) arising mainly from the trading activities of Dong Fang. The liability is intended to be financed by internal resources of the Group. The liquidity ratio of the Group represented by a ratio of current assets over current liabilities was 3.15:1 (2015: 3.32:1), reflecting the adequacy of financial resources.

Pursuant to the open offer made by the Company which completed on 25 September 2015, the Company issued 1,821,135,954 shares in the open offer on the basis of one (1) offer share for every one (1) share held on the record date at the subscription price of HK$0.10 per offer share (the "Open Offer"), resulting in net proceeds of approximately HK$175,278,000. Details of the Open Offer are set out in the Company's prospectus dated 31 August 2015.

Convertible Notes

Pursuant to the subscription agreement entered into between the Company and Dr. Cheung Yuk Shan, Shirley ("Dr. Cheung") and an ordinary resolution passed at the extraordinary general meeting held on 6 December 2013, the Company issued a convertible note in the principal amount of HK$20,000,000 to Dr. Cheung ("Subscription Convertible Note") on 20 December 2013. The Subscription Convertible Note is with 2% interest rate per annum and is due in 3 years from the date of issue and convertible into ordinary shares at an adjusted conversion price of HK$0.136 per conversion share, subject to adjustments. Up to the date of this announcement, the Subscription Convertible Note has not yet been converted.

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.

Foreign Exchange Exposure

Since the assets, liabilities, revenue and payments of the Group are mainly denominated in Hong Kong Dollars and Renminbi, the Group considers that there was no significant exposure to foreign exchange fluctuations.

Net Assets

As at 31 March 2016, the Group's net assets amounted to approximately HK$552,783,000 compared to approximately HK$385,295,000 as at 31 March 2015. There are no charges on the Group's assets as at 31 March 2016 and 2015.

Contingent Liabilities

As at 31 March 2016 and 2015, the Group had no material contingent liabilities.

Employee Information

As at 31 March 2016, the Group had 469 (2015: 498) employees. During the year, the Group's total staff costs amounted to approximately HK$90,036,000 (2015: approximately HK$78,220,000).

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 markets in which the Group operates. In addition to salary, the Group also offers to its employees other fringe benefits including share option, provident fund and medical benefits.

Share Option Scheme

The Group has a share option scheme whereby qualified participants may be granted options to acquire shares of the Company, under the terms and conditions stipulated therein, as incentives or rewards for their contributions to the Group. As at 31 March 2016 there is an aggregate of 13,788,600 outstanding options to subscribe for 13,788,600 shares of the Company pursuant to the share option scheme adopted on 4 November 2003, and there are 72,845,438 outstanding options to subscribe for 72,845,438 shares of the Company pursuant to the share option scheme adopted on 24 February 2016.

Future Plans

It is in the view of the Group that with the changing of beauty and slimming services and products into necessities, coupled with the continued growth of the middle class in China, the demand for quality products and services will remain on the upward momentum in both Hong Kong and the PRC. As such, the Group will continue to spare no efforts in the development and introduction of different sophisticated and innovative treatment, products and machines of supreme quality to nurture our portfolio of services and products into one that is diversified, accommodated to market demands and attractive to new customers. We will however adopt a more careful approach under the uncertainties in the macroeconomy and operating environment at present.

Seeing the increasing influence of the social media in Hong Kong and the rapid growth in the e-tail market in China, the Group takes e-commerce as an inevitable path to success. The Group plans to increase its promotional efforts on different social media platforms in order to increase the awareness of the younger generation for our brand name Sau San Tong, and thereby broaden the Group's customer base. In terms of the PRC market, the Group will continue to capitalise on the innovative business model of its online beauty and slimming appointment platform "BeautyU", which will serve to fortify the Group's industry position, and at the same time improving brand visibility of our brand name on the internet at relatively low cost, enhance the experience of making purchases and bookings for our retail customers, and provide a highly accessible platform to our potential partners of beauty and slimming service providers to promote entrepreneurial opportunities.

The Group will also increase the investment of the abundant funds on hand into securities, properties and other opportunities. Apart from the generation of additional investment return, it can also open up new revenue bases and promote the efficiency of capital use, and thereby procure more rewarding return to our shareholders.

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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this announcement, the Company has maintained a sufficient public float of more than 25% of the Company's issued share as required under the GEM listing rules throughout the Year Under Review and up to the date of this announcement.

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 (the "Code") contained in Appendix 15 of the GEM Listing Rules throughout the year, 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, 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. Starting from December 2015, after a new chief executive officer joined the Group, the roles of chairman and chief executive officer are separated and no longer performed by the same individual.

Code provision A.2.7 stipulates that the chairman of the Board should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors' presence. As Dr. Cheung, the Chairman of the Board, is also an Executive Director, the Company has deviated from this code provision as it is not applicable. Besides, the chairman of the Board considered that it was unnecessary as it would be more transparent and efficient to let the independent non-executive Directors express their views to all executive Directors in the meetings of the Board. Besides, the chairman of the Board always welcomes all independent non-executive Directors to communicate with her directly via email or phone to discuss any matters of the Company from time to time.

Code provision A.4.1 stipulates all the non-executive directors should be appointed for a specific term, subject to re-election. The term of office for non-executive directors is subject to retirement from office by rotation and is eligible for re-election in accordance with the provisions of the Company's bye-laws. At each annual general meeting, one-third of the directors for the time being, (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. As such, the Company considers that such provisions are sufficient to meet the underlying objective of this code provision.

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings of the Company and develop a balanced understanding of the views of shareholders. Mr. Hong Po Kui, Martin, Mr. Li Kuo Hsing, Ms. Hui Yat Lam and Ms. Chiu Kam Hing, Kathy, being the independent non-executive Directors, due to other unexpected important engagements, were unable to attend the annual general meeting of the Company held on 25 September 2015, and the extraordinary general meetings of the Company held on 18 August 2015 and 23 February 2016 respectively.

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 Year 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.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the Corporate Governance Code of the Exchange but also about promoting and developing an ethical and healthy corporate culture. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from our Shareholders to promote and improve our transparency are also welcome.

Full details in respect of the compliance with Appendix 15 of the GEM Listing Rule in the form of a "Corporate Governance Report" will be included in the annual report for the year ended 31 March 2016.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. Details of the role and work performed by the committee are set out in "Corporate Governance Report" in the annual report for the year ended 31 March 2016. The audit committee has reviewed the consolidated financial statements of the Group for the year ended 31 March 2016.

REMUNERATION COMMITTEE

The Company has established a remuneration committee with written terms of reference in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules. Details of the role and work performed by the Committee are set out in "Corporate Governance Report" in the annual report for the year ended 31 March 2016.

NOMINATION COMMITTEE

The Company has established a nomination committee with written terms of reference in compliance with the Code. Details of the role and work performed by the Committee are set out in "Corporate Governance Report" in the annual report for the year ended 31 March 2016.

CHANGE IN DIRECTORS' INFORMATION

As disclosed in the announcement of the Company dated 31 December 2015, Mr. Cheung Ka Heng, Frankie resigned as an Executive Director of the Company with effect from 31 December 2015 and Mr. Li Kuo Hsing resigned as an Independent Non-Executive Director of the Company with effect from 31 December 2015.

As disclosed in the announcement of the Company dated 15 March 2016, Mr. Takashi Togo was appointed as an Non-Executive Director of the Company with effect from 15 March 2016.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Director on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. 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 year.

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

Hong Kong, 28 June 2016

As at the date of this announcement, 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.