



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 2017

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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This announcement, for which the directors (the “Directors”) of Sau San Tong Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; (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 2017, together with the comparative audited figures for the year ended 31 March 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2017

	<i>Note</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Turnover	2	2,228,417	1,693,550
Cost of sales		<u>(1,958,591)</u>	<u>(1,509,127)</u>
Gross profit		269,826	184,423
Other revenue	3	2,694	21,172
Other net income	3	4,328	718
Selling and distribution costs		(93,875)	(83,783)
General and administrative expenses		<u>(116,120)</u>	<u>(103,377)</u>
Profit from operations		66,853	19,153
Finance costs	4	<u>(4,157)</u>	<u>(3,165)</u>
Profit before taxation	4	62,696	15,988
Income tax expense	5	<u>(25,143)</u>	<u>(11,400)</u>
Profit for the year		<u>37,553</u>	<u>4,588</u>
Attributable to:			
Owners of the Company		26,071	(3,744)
Non-controlling interests		<u>11,482</u>	<u>8,332</u>
		<u>37,553</u>	<u>4,588</u>
		<i>HK cents</i>	<i>HK cents</i> (restated)
Earnings/(loss) per share	7		
— Basic		<u>1.24</u>	<u>(0.27)</u>
— Diluted		<u>1.24</u>	<u>(0.20)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit for the year	<u>37,553</u>	<u>4,588</u>
Other comprehensive loss for the year, net of nil tax		
Items that may be reclassified subsequently to profit or loss:		
— Exchange difference on translation of financial statements of foreign operations	<u>(9,669)</u>	<u>(5,106)</u>
Other comprehensive loss for the year	<u>(9,669)</u>	<u>(5,106)</u>
Total comprehensive income/(loss) for the year	<u><u>27,884</u></u>	<u><u>(518)</u></u>
Attributable to:		
Owners of the Company	19,634	(6,134)
Non-controlling interests	<u>8,250</u>	<u>5,616</u>
	<u><u>27,884</u></u>	<u><u>(518)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	<i>Note</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		135,441	84,055
Investment property		8,001	—
Intangible assets		1,820	3,776
Goodwill		25,969	16,884
Interests in joint ventures		—	—
Deposit paid		—	4,119
		<u>171,231</u>	<u>108,834</u>
Current assets			
Inventories		9,415	10,559
Financial assets at fair value through profit or loss	9	139,746	42,530
Trade receivables	10	246,444	212,094
Prepayments, deposits and other receivables		142,721	150,248
Loans receivable	11	59,921	—
Interest receivables	12	388	—
Amounts due from joint ventures		—	3,117
Amounts due from related parties		1,430	1,440
Cash and cash equivalents		522,045	263,867
		<u>1,122,110</u>	<u>683,855</u>
Current liabilities			
Bank loans		67,731	24,055
Trade payables	13	38,938	39,693
Other payables and accrued charges		130,449	64,201
Amount due to a director		20,338	37
Amounts due to related parties		37,308	46,366
Deferred income		23,189	18,990
Convertible notes		—	19,759
Current tax payable		18,568	4,301
Other liabilities		19,237	—
		<u>355,758</u>	<u>217,402</u>
Net current assets		<u>766,352</u>	<u>466,453</u>
Total assets less current liabilities		<u>937,583</u>	<u>575,287</u>

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current liabilities		
Deferred tax liabilities	3,761	4,007
Other liabilities	<u>—</u>	<u>18,497</u>
	<u>3,761</u>	<u>22,504</u>
NET ASSETS	<u><u>933,822</u></u>	<u><u>552,783</u></u>
CAPITAL AND RESERVES		
Share capital	109,268	36,422
Reserves	<u>812,190</u>	<u>501,485</u>
Total equity attributable to owners of the Company	921,458	537,907
Non-controlling interests	<u>12,364</u>	<u>14,876</u>
TOTAL EQUITY	<u><u>933,822</u></u>	<u><u>552,783</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	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	(Accumulated losses)/retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
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
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
Changes in equity for 2017:												
Profit for the year	—	—	—	—	—	—	—	—	26,071	26,071	11,482	37,553
Other comprehensive loss	—	—	—	(6,437)	—	—	—	—	—	(6,437)	(3,232)	(9,669)
Total comprehensive income for the year	—	—	—	(6,437)	—	—	—	—	26,071	19,634	8,250	27,884
Redemption of convertible notes	—	—	—	—	—	(1,214)	—	—	1,214	—	—	—
Expiration of share options	—	—	—	—	(1,948)	—	—	—	1,948	—	—	—
Appropriation to the PRC statutory surplus reserve	—	—	—	—	—	—	2,658	—	(2,658)	—	—	—
Issue of shares	72,846	291,382	—	—	—	—	—	—	—	364,228	—	364,228
Share issue expenses	—	(11,874)	—	—	—	—	—	—	—	(11,874)	—	(11,874)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(8,453)	(8,453)
Partial disposal of equity interest in a subsidiary	—	—	—	—	—	—	—	11,563	—	11,563	(2,309)	9,254
	72,846	279,508	—	(6,437)	(1,948)	(1,214)	2,658	11,563	26,575	383,551	(2,512)	381,039
At 31 March 2017	109,268	778,605	(3,637)	(474)	2,222	—	13,691	11,611	10,172	921,458	12,364	933,822

Notes:

1. Basis of preparation

The consolidated financial statements for year ended 31 March 2017 comprise the Company and its subsidiaries.

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 Rules Governing the Listing of Securities on the GEM of the Stock Exchange (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, derivative financial instruments and investment property are stated at their fair values.

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation 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, investments in securities and provision of money lending business.

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; and interest income earned from the money lending business. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2017	2016
	HK\$’000	HK\$’000
Distribution sale of cosmetic and skin care products	2,024,349	1,572,106
Provision of beauty and slimming services	100,183	71,322
Provision of franchise services	6,885	10,207
Sale of health, beauty and related products	5,941	8,276
Net realised gains on financial assets at fair value through profit or loss	58,527	25,977
Net unrealised gains on financial assets at fair value through profit or loss	26,585	5,662
Interest income from money lending	5,947	—
	<u>2,228,417</u>	<u>1,693,550</u>

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

3. Other revenue and net income

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Other revenue		
Referral fee income	—	12,374
Management fee income	—	7,101
Bank interest income	1,052	1,363
Dividend income	1,168	—
Other interest income	389	—
Others	85	334
	<u>2,694</u>	<u>21,172</u>
Other net income		
Subsidy income from the PRC government	1,591	2,598
Net gain/(loss) on disposal of property, plant and equipment	234	(259)
Gain arising from acquisition of a subsidiary	1,663	—
Net foreign exchange loss	(1)	(1,682)
Others	841	61
	<u>4,328</u>	<u>718</u>

4. Profit before taxation

Profit before taxation is arrived after charging:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
(a) Finance costs:		
Interest on bank loans	2,456	1,585
Interest on convertible notes	641	869
Interest on other liabilities	740	711
Interest on broker's overdrafts	220	—
Interest on loan due to a director	100	—
	<u>4,157</u>	<u>3,165</u>

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
(b) Other items:		
Staff costs	96,298	90,036
Cost of inventories sold and services provided*	1,958,591	1,509,127
Auditors' remuneration	1,307	1,608
Amortisation of intangible assets	1,956	1,843
Depreciation of property, plant and equipment	17,727	12,463
Provision for impairment losses on		
— trade receivables	2,557	134
— other receivables	335	205
Write off of		
— trade receivables	352	—
— other receivables	2,807	3,785
— amounts due from related parties	—	910
Operating lease charges: minimum lease payments	<u>35,689</u>	<u>29,843</u>

* Cost of inventories sold and services provided includes HK\$1,306,000 (2016: HK\$1,262,000) 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

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	14,422	2,766
Under provision in respect of prior years	<u>290</u>	<u>—</u>
	<u>14,712</u>	<u>2,766</u>
Current tax — PRC Enterprise Income Tax		
Provision for the year	10,445	8,644
(Over)/under provision in respect of prior years	<u>(14)</u>	<u>136</u>
	<u>10,431</u>	<u>8,780</u>
Deferred tax		
Origination and reversal of temporary differences	<u>—</u>	<u>(146)</u>
Income tax expense	<u>25,143</u>	<u>11,400</u>

- (i) The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year. 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 2017 and 2016, 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 2017 (2016: HK\$Nil).

7. Earnings/(loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of approximately HK\$26,071,000 (2016: loss of HK\$3,744,000) and the weighted average number of ordinary shares of approximately 2,110,522,000 (2016 (restated): 1,382,981,000) shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2017	2016
	'000	'000
		(restated)
Issued ordinary shares at 1 April	1,821,136	915,121
Effect of shares issued under rights issue	289,386	—
Effect of shares issued under open offer	—	467,860
	<u>2,110,522</u>	<u>1,382,981</u>
Weighted average number of ordinary shares at 31 March	<u>2,110,522</u>	<u>1,382,981</u>

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share for the year ended 31 March 2017 is based on the profit attributable to owners of the Company of approximately HK\$26,071,000 (2016: loss of HK\$2,875,000) and the weighted average number of ordinary shares of 2,110,522,000 (2016 (restated): 1,456,666,000) shares, calculated as follows:

(i) Profit/(loss) attributable to owners of the Company (diluted)

	2017 HK\$'000	2016 HK\$'000
Profit/(loss) attributable to owners of the Company	26,071	(3,744)
After tax effect of effective interest in the liability component of convertible notes	<u>—</u>	<u>869</u>
Profit/(loss) attributable to owners of the Company (diluted)	<u><u>26,071</u></u>	<u><u>(2,875)</u></u>

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

	2017 '000	2016 '000 (restated)
Weighted average number of ordinary shares at 31 March	2,110,522	1,382,981
Effect of share options exercised	—	155
Effect of conversion of convertible notes	<u>—</u>	<u>73,530</u>
Weighted average number of ordinary shares (diluted) at 31 March	<u><u>2,110,522</u></u>	<u><u>1,456,666</u></u>

The assumed exercise of the outstanding share options and convertible notes for the year ended 31 March 2017 has anti-dilutive effect and has therefore been excluded from the above calculation.

The weighted average number of ordinary shares for 2017 and 2016 above has been adjusted for the share consolidation which was completed on 23 September 2016.

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

(vi) Money lending

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*

	2017						
	Distribution sale of cosmetic and skin care products HK\$'000	Provision of beauty and slimming services HK\$'000	Franchise operations HK\$'000	Sale of health, beauty and related products HK\$'000	Investment in securities HK\$'000	Money lending HK\$'000	Total HK\$'000
Reportable segment revenue	<u>2,024,349</u>	<u>100,183</u>	<u>11,011</u>	<u>1,815</u>	<u>85,112</u>	<u>5,947</u>	<u>2,228,417</u>
Reportable segment results	<u>32,023</u>	<u>(33,852)</u>	<u>(8,100)</u>	<u>1,020</u>	<u>83,772</u>	<u>5,780</u>	<u>80,643</u>
Unallocated corporate expenses							<u>(13,790)</u>
Profit from operations							<u>66,853</u>
Finance costs							<u>(4,157)</u>
Profit before taxation							<u>62,696</u>
Income tax expense							<u>(25,143)</u>
Profit for the year							<u><u>37,553</u></u>
Provision for impairment losses on:							
— trade receivables	436	2,121	—	—	—	—	2,557
— other receivables	—	335	—	—	—	—	335
Write off of:							
— trade receivables	—	—	352	—	—	—	352
— other receivables	—	2,807	—	—	—	—	2,807
Amortisation of intangible assets	—	1,956	—	—	—	—	1,956
Depreciation of property, plant and equipment	<u>878</u>	<u>13,105</u>	<u>337</u>	<u>2</u>	<u>1,195</u>	<u>—</u>	<u>15,517</u>

2016

	Distribution sale of cosmetic and skin care products <i>HK\$'000</i>	Provision of beauty and slimming services <i>HK\$'000</i>	Franchise operations <i>HK\$'000</i>	Sale of health, beauty and related products <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue	<u>1,572,106</u>	<u>71,322</u>	<u>16,066</u>	<u>2,417</u>	<u>31,639</u>	<u>1,693,550</u>
Reportable segment results	<u>22,959</u>	<u>(16,462)</u>	<u>(8,995)</u>	<u>1,102</u>	<u>31,443</u>	<u>30,047</u>
Unallocated corporate expenses						<u>(10,894)</u>
Profit from operations						19,153
Finance costs						(3,165)
Share of losses of joint ventures						<u>—</u>
Profit before taxation						15,988
Income tax expense						<u>(11,400)</u>
Profit for the year						<u><u>4,588</u></u>
Provision for impairment losses on:						
— trade receivables	134	—	—	—	—	134
— other receivables	—	55	—	150	—	205
Write off of:						
— other receivables	—	1,499	2,286	—	—	3,785
— amounts due from related parties	—	910	—	—	—	910
Amortisation of intangible assets	—	1,843	—	—	—	1,843
Depreciation of property, plant and equipment	<u>1,036</u>	<u>10,296</u>	<u>333</u>	<u>25</u>	<u>—</u>	<u>11,690</u>

2017

	Distribution sale of cosmetic and skin care products <i>HK\$'000</i>	Provision of beauty and slimming services <i>HK\$'000</i>	Franchise operations <i>HK\$'000</i>	Sale of health, beauty and related products <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets							
— Property, plant and equipment	2,652	35,276	625	6	5,590	—	44,149
— Intangible assets	—	1,820	—	—	—	—	1,820
— Other assets	332,929	170,572	7,724	1,983	483,537	93,420	1,090,165
Unallocated corporate assets							<u>157,207</u>
Total assets							<u><u>1,293,341</u></u>
Segment liabilities	(246,077)	(36,047)	(12,904)	(406)	—	(138)	(295,572)
Unallocated corporate liabilities							<u>(63,947)</u>
Total liabilities							<u><u>(359,519)</u></u>
Additions to segment non- current assets	<u>1,086</u>	<u>26,481</u>	<u>102</u>	<u>—</u>	<u>6,785</u>	<u>595</u>	<u>35,049</u>

2016

	Distribution sale of cosmetic and skin care products <i>HK\$'000</i>	Provision of beauty and slimming services <i>HK\$'000</i>	Franchise operations <i>HK\$'000</i>	Sale of health, beauty and related products <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets						
— Property, plant and equipment	2,832	31,320	911	8	—	35,071
— Intangible assets	—	3,776	—	—	—	3,776
— Other assets	227,850	201,788	13,114	874	155,185	598,811
Unallocated corporate assets						<u>155,031</u>
Total assets						<u><u>792,689</u></u>
Segment liabilities		(145,481)	(28,011)	(17,519)	—	(191,011)
Unallocated corporate liabilities						<u>(48,895)</u>
Total liabilities						<u><u>(239,906)</u></u>
Additions to segment non-current assets	<u>784</u>	<u>14,774</u>	<u>669</u>	<u>33</u>	<u>—</u>	<u>16,260</u>

(b) Geographical information

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

	2017		
	The PRC <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	2,072,238	156,179	2,228,417
Non-current assets	<u>579</u>	<u>170,652</u>	<u>171,231</u>
	2016		
	The PRC <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	1,613,262	80,288	1,693,550
Non-current assets	<u>20,327</u>	<u>88,507</u>	<u>108,834</u>

(c) Major customers

During the year ended 31 March 2017, three (2016: three) 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Customer A	679,426	557,937
Customer B	552,454	278,938
Customer C	<u>328,331</u>	<u>235,562</u>

9. Financial assets at fair value through profit or loss

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Listed equity securities in Hong Kong (<i>note a</i>)	117,493	42,530
Unlisted convertible bonds in Hong Kong (<i>note b</i>)	14,309	—
Unlisted equity fund outside Hong Kong	<u>7,944</u>	<u>—</u>
	<u>139,746</u>	<u>42,530</u>

(a) *Listed equity securities in Hong Kong*

As at 31 March 2017, the Group had financial assets at fair value through profit or loss representing equity securities listed in Hong Kong of approximately HK\$117,493,000 (2016: HK\$42,530,000). Details of significant investments are as follows:

Stock code	Name of investee company	Principal activities	Number of shares held '000	2017	Cost HK\$'000	Market value at the end of the reporting period HK\$'000	Percentage to the Group's total assets %	Unrealised gain/(loss) on change in fair value for the year HK\$'000	Gain/(loss) on disposal HK\$'000	Dividend received for the year HK\$'000
				Percentage of total issue share capital owned by the Group %						
8101	Jia Meng Holdings Limited	Design, manufacture and sale of mattresses and soft bed products in the PRC and export of mattresses to overseas markets; securities investment in Hong Kong; and property investment	221,728	7.67%	17,738 (note)	27,494	2.13%	6,680 (note)	—	—
8215	First Credit Finance Group Limited	Money lending business	31,000	0.85%	8,352	13,640	1.05%	5,288	150	1,050
275	Master Glory Group Limited	Trading of securities, industrial water supply business, property development and trading and other strategic investments	64,210	0.62%	8,255	13,227	1.02%	4,972	601	—
1082	Hong Kong Education (Int'l) Investments Limited	Provision of private educational services, investment in securities, property investments and money lending business	10,000	1.83%	4,000	11,500	0.89%	7,500	—	—
8178	China Information Technology Development Limited	Development and sale of computer software and hardware, provision of system integration and related support services, provision of IT infrastructure solutions and maintenance services, money lending and securities trading	73,288	1.27%	9,397	11,060	0.86%	1,663	1,097	—

Stock code	Name of investee company	Principal activities	Number of shares held '000	2016		Market value at the end of the reporting period Cost HK\$'000	Percentage to the Group's total assets %	Unrealised gain/(loss) on change in fair value for the year HK\$'000	Gain/(loss) on disposal HK\$'000	Dividend received for the year HK\$'000
				Percentage of total issue share capital owned by the Group %						
8269	Wealth Glory Holdings Limited	Coal trading business; trade natural resources and commodities; develop and promote brands, design, manufacture and sale fashion and other products; money lending and secured financing business; and investment in securities	199,980	4.87%	13,999	15,398	1.94%	1,399	2,584	—
8101	Jia Meng Holdings Limited	Design, manufacture and sale of mattresses and soft bed products in the PRC and export of mattresses to overseas markets; securities investment in Hong Kong; and property investment	106,048	4.58%	8,484	11,559	1.46%	3,075	13	—
1499	LEAP Holdings Group Limited	Provision of foundation works and ancillary services; and construction wastes handling at the public fill reception facilities managed by the Government in Hong Kong	23,080	1.01%	5,770	10,271	1.30%	4,501	866	—
8268	Deson Construction International Holdings Limited	Provide building construction works, electrical and mechanical engineering works and alterations, addition, renovation, refurbishment and fitting-out works, mainly in Hong Kong, Mainland China and Macau	16,504	1.65%	8,087	4,786	0.60%	(3,301)	(1,798)	—

Note: Investment cost in this investee company represented the initial acquisition cost for the investee company. The investment in this investee company was made by the Group in prior years. For that part of investment in this investee company which was made in prior years, it was subject to unrealised gain/(loss) on change in fair value was recognised at the financial year end of the respective years. The unrealised gain/(loss) on change in fair value of this investee company for the year ended 31 March 2017 excluded gain/(loss) being recognised in prior years.

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.

(b) Unlisted convertible bonds in Hong Kong

On 18 April 2016, the Group subscribed unsecured, three-year maturity 2% coupon convertible bonds with a principal amount of HK\$12,000,000 from Deson Construction International Holdings Limited (“Deson”), a company listed on the GEM of the Stock Exchange.

The Group, as a holder of the convertible bonds has:

- (i) an option to request Deson to redeem the convertible bonds by the Group at its principal amount outstanding together with all accrued and unpaid interest at the date of redemption on 17 April 2019 or the occurrence of other conditions as provided for under the definitive subscription agreement; and
- (ii) an option to convert the convertible bonds into ordinary shares of Deson at the conversion price based on certain conditions on the date of conversion as provided for under the definitive subscription agreement.

The convertible bonds, together with abovementioned options, were designated as a financial asset at fair value through profit or loss and recognised at fair values.

10. Trade receivables

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	249,794	212,949
Less: allowance for doubtful debts	<u>(3,350)</u>	<u>(855)</u>
	<u>246,444</u>	<u>212,094</u>

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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Less than 1 month	241,292	163,243
1 to 2 months	783	39,910
More than 2 months but less than 4 months	248	3,131
More than 4 months but less than 12 months	445	1,625
More than 12 months	<u>3,676</u>	<u>4,185</u>
	<u>246,444</u>	<u>212,094</u>

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

11. Loans receivable

The Group's loans receivable arise from the money lending business of providing loans in Hong Kong by a wholly-owned subsidiary of the Company. The Group seeks to maintain strict control over its outstanding loans receivable to minimise credit risk. Overdue balances are reviewed regularly by management.

Details of loans receivable as at 31 March 2017 are as follows:

	<i>HK\$'000</i>
Secured loans by personal guarantees	8,721
Unsecured loans	<u>51,200</u>
	<u>59,921</u>

Loans receivable as at 31 March 2017 are interest-bearing at rates ranging from 8% to 54% per annum and repayable on maturity date under the terms in contractual agreements or on demand in writing by the Group.

Ageing analysis

	<i>HK\$'000</i>
Neither past due nor impairment	58,421
Less than 1 month past due	<u>1,500</u>
	<u>59,921</u>

12. Interest receivables

The Group's interest receivables arise from the money lending business of providing loans in Hong Kong by a wholly-owned subsidiary of the Company.

Interest receivables, apart from the interest receivables derived from loan balances of HK\$8,721,000 which are secured by personal guarantees from the borrowers' guarantors, are unsecured. All of the interest receivables are repayable on maturity date under the terms in contractual agreements or on demand in writing by the Group.

As at 31 March 2017, all of the interest receivables are neither past due nor impaired, and are wholly repayable within one year.

13. Trade payables

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

	2017 HK\$'000	2016 HK\$'000
Due within 1 month or on demand	<u>38,938</u>	<u>39,693</u>

14. Business combination

(a) *Acquisition of I Pro Medical Skin Care Centre Limited*

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 "iPro Vendor") and all debts owned by iPro to the iPro 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.

(b) *Acquisition of Sun Fung Capital Limited*

On 28 April 2016, Trillion Well International Finance Company Limited, a wholly-owned subsidiary of the Group, acquired the entire equity interest in Sun Fung Capital Limited ("Sun Fung") for a cash consideration of HK\$485,000. Sun Fung is principally engaged in the provision of money lending services in Hong Kong.

(c) *Acquisition of Wealthy Sound Limited*

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 at a cash consideration of HK\$4,119,000. Upon completion of this acquisition, Wealthy Sound Limited and its wholly-owned subsidiaries, 修身堂卓越美容(北京)有限公司 and 星悦醫學美容診所(北京)有限公司 (together "Wealthy Sound Group"), which were joint ventures prior to this acquisition, becomes subsidiaries of the Group. The Group's interests in joint ventures was treated as disposed of and reacquired at fair value on the date of obtaining control. As a result, a gain on remeasurement of interests in joint ventures to fair value amounting to HK\$1,633,000 has been recognised and is included in other net income.

(d) *Fair value of the identifiable assets and liabilities arising from the acquisitions as at the respective dates of acquisition is as follows:*

	2017	2016		
	Sun Fung	Wealthy Sound Group	Total	iPro
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	—	216	216	2,476
Trade receivables	—	—	—	4,029
Deposits, prepayment and other receivables	23	3,161	3,184	1,102
Cash and cash equivalents	5	1,343	1,348	3,497
Other payables and accrued charges	(138)	(11,245)	(11,383)	(30)
Shareholder's loan	—	—	—	(5,862)
Deferred income	—	(2,218)	(2,218)	(9,638)
	<u>—</u>	<u>(2,218)</u>	<u>(2,218)</u>	<u>(9,638)</u>
Fair value of net identifiable liabilities assumed	(110)	(8,743)	(8,853)	(4,426)
Fair value of previously held interests	—	4,372	4,372	—
Goodwill arising on acquisition	595	8,490	9,085	16,564
Assignment of a shareholder's loan	—	—	—	5,862
	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,862</u>
Total consideration, satisfied by cash	<u>485</u>	<u>4,119</u>	<u>4,604</u>	<u>18,000</u>
Net cash outflow/(inflow) arising on the acquisitions:				
Cash consideration paid	485	4,119	4,604	18,000
Less: deposits paid in prior year	—	(4,119)	(4,119)	—
Less: cash and cash equivalents acquired	(5)	(1,343)	(1,348)	(3,497)
	<u>(5)</u>	<u>(1,343)</u>	<u>(1,348)</u>	<u>(3,497)</u>
	<u>480</u>	<u>(1,343)</u>	<u>(863)</u>	<u>14,503</u>

Acquisition-related costs of HK\$50,000 (2016: 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 these acquisitions is attributable to the expected synergies, earnings growth, future market development and the assembled workforce of the acquirees. 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.

(e) *Impact of acquisitions on the results of the Group:*

In 2017, Sun Fung contributed HK\$5,947,000 to turnover and profit of HK\$4,867,000 to the Group's result for the year. Wealthy Sound Group contributed HK\$8,864,000 to turnover and loss of HK\$6,667,000 to the Group's results for the year.

Had these business combinations been effected on 1 April 2016, Sun Fung would have contributed HK\$5,947,000 to turnover and profit of HK\$4,746,000 to the Group's results for the year; and Wealthy Sound Group would have contributed HK\$9,337,000 to turnover and loss of HK\$5,096,000 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 2016.

In 2016, 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 HK\$8,473,000 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.

15. Changes in ownership interest in a subsidiary without change of control

On 14 September 2016, Sau San Tong Holdings Inc., a wholly-owned subsidiary of the Company, disposed 25% of the issued shares of a wholly-owned subsidiary, Sau San Tong Investment Holdings Limited ("SSTIHL"), for a consideration with a fair value of HK\$9,254,000 to an independent third party ("SSTIHL Purchaser"). The carrying amount of the non-controlling interests in SSTIHL as at the date of disposal was a deficit of HK\$2,309,000. As a result, the Group recognised a decrease in non-controlling interests of HK\$2,309,000 and an increase in equity attributable to owners of the Company of HK\$11,563,000. The effect of changes in ownership interest in SSTIHL is summarised as follows:

	<i>HK\$'000</i>
Carrying amount of non-controlling interest disposed	2,309
Fair value of consideration received from holders of non-controlling interests (<i>note</i>)	<u>9,254</u>
Excess of consideration paid recognised in other reserve within equity	<u><u>11,563</u></u>

Note: The consideration was satisfied by the allotment and issue by the SSTIHL Purchaser, whose shares are listed on the GEM of the Stock Exchange, of 115,680,000 shares at market price of HK\$0.10 per share. On 14 September 2016, the quoted market price is HK\$0.08 per share.

16. Acquisition of assets through acquisition of a subsidiary

On 18 January 2017, the Group acquired the entire equity interest in Achieve Plus Investments Limited ("Achieve Plus").

Achieve Plus is principally engaged in property investment and its major asset is an office property in Hong Kong classified as an investment property which was intended to lease out to independent third party subsequent to the end of the reporting period.

In the opinion of the management, the acquisition is in substance an acquisition of the investment property, instead of an acquisition of business and therefore is excluded from the scope of HKFRS 3 "Business Combinations". Therefore, the acquisition was not disclosed as a business combination in accordance with the requirements of HKFRS 3.

The assets acquired and liabilities assumed through this transaction are as follows:

	<i>HK\$'000</i>
Investment property	8,001
Deposits	5
Shareholders' loan	(4,924)
Current tax payable	<u>(6)</u>
	3,076
Assignment of a shareholder's loan	<u>4,924</u>
	8,000
Total consideration satisfied by cash	<u><u>8,000</u></u>
Net cash outflow arising from acquisition:	
Cash consideration paid	<u><u>8,000</u></u>

17. Comparative figures

As a result of the share consolidation and rights issue which were completed on 23 September 2016 and 3 March 2017 respectively, the loss per share for the year ended 31 March 2016 has been restated.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2017, the economic growth rate in Hong Kong was 4.3%, indicating a continuing economic recovery. As a result, the beauty and slimming industry in Hong Kong continue to recover. The Group successfully leveraged on its excellent brand visibility and solid customer base in both Hong Kong and China to capture the opportunity of this recovery.

For the year ended 31 March 2017 (the “Year Under Review”), the Group recorded a turnover of approximately HK\$2,228,417,000, representing an increase of 31.6% from approximately HK\$1,693,550,000 of last year. This was mainly attributable to a significant growth of 28.8% in the contributions from the distribution business and 40.5% 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”) also have significant growth momentum as a result of successful strategy through expansion in online platform sales, generating a contribution to the turnover of approximately HK\$2,024,349,000, up by 28.8% from approximately HK\$1,572,106,000 of last year, forming another stable source of revenues for the Group.

Profit for the year increased significantly by 718.50% from approximately HK\$4,588,000 of 2016 to approximately HK\$37,553,000, as the securities investments business brought along net realised and unrealised gains on financial assets at fair value through profit or loss of approximately HK\$58,527,000 and HK\$26,585,000, respectively, in the Year Under Review while merely approximately HK\$25,977,000 of net realised gains and approximately HK\$5,662,000 of net unrealised gains were recorded in last year due to a sluggish stock market in 2016.

As at 31 March 2017, cash and bank balances increased to approximately HK\$522,045,000 (2016: approximately HK\$263,867,000), whereas liquidity ratio (represented by a ratio of current assets over current liabilities) was 3.15:1 (2016: 3.15:1), reflecting the adequacy of financial resources.

Beauty, Slimming and Spa Centres

During the Year under review, Hong Kong economy continued to recover but China economy has decelerating economic growth, 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 40.5% 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.

As the first listed beauty and slimming company in Hong Kong, the Group has consistently uphold the principles of quality products, professional services and honest operation. Backed by the strengths of the brand, the Group has won numerous awards over the years and enjoys sound reputation in Hong Kong, Macau and the PRC. It was strongly trusted by its customers. With increasingly intensive market competition, some industry players have resorted to all possible means including dishonest sales methods to secure their market shares. Coupled with various beauty and slimming incidents during recent years and seriously weak and outdated government supervision, customer confidence has been impaired. This, however, has at the same time encouraged the customer demand for quality beauty and slimming services, 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 online platforms, electrical appliances merchants, department stores channel, local modernised retail malls, supermarkets, small-sized supermarkets, convenient stores, maternity stores and cosmetic stores headquartered or regionally headquartered in Shanghai. Products involved include OLAY skincare, Head & Shoulders, Vidal Sassoon, Pantene, Rejoice, Pampers, Crest, Safeguard, Whisper, Ariel, Oral-B and Gillette. Moreover, the Company is responsible for the SK-II business in East and West China areas, covering Shanghai city, Zhejiang Province, Jiangsu Province, Anhui Province, Henan Province, Shanxi Province, Sichuan Province and Chongqing city (8 provinces and cities in total). In the Year Under Review, Dong Fang has successful expand its sales through online platforms which resulted in significant growth in revenue.

Health, Beauty and Related Products

The Group spares no efforts in keeping itself abreast of time and marching at the forefront of the market. Through heavily investing in the development and introduction of products embedding advanced technologies and safe ingredients to enrich its portfolio of health and beauty products, the Group targets to bring to its customers a wider array of sophisticated product choices. This will in turn further enhance the attraction of the brand name Sau San Tong and ensure the Group's leading market position.

Going forward, the Group will continue to launch different safe and effective products that meet the different needs of its customers, helping them to achieve beauty in a healthy way. We believe that the segment of distribution of health and beauty products will continue to make a stable contribution to the Group's results in the time ahead.

Franchise Co-operation Business in the PRC

Building on its successful business in Hong Kong and a strong brand visibility, the Group started venturing into the enormous market in the PRC back in early 2004 and effectively laid a solid foundation in the beauty and slimming industry in China ahead of its counterparts, reaping a sizeable market share. Envyng the outstanding achievement of "Sau San Tong", competitors, imitators and even fakers began to spring up like mushroom on the PRC market where the entry barrier to the industry was relatively low. To tackle the situation, apart from establishing high-end flagship centres in China to help clearly identify ourselves, the Group specially combined the name of our founder, Dr. Cheung Yuk Shan, Shirley with its brand name to form the new brand of "張玉珊修身堂" to establish the uniqueness of the brand, using it to fully explore the PRC market while letting the market and consumer more easily distinguish the genuine "Sau San Tong" brand and its inherent quality and professional products and services, protecting the consumers' rights. Since the efforts to developing the franchise co-operation business in full sail since December 2010, we have entered into more than 180 franchise co-operation contracts as at 31 March 2017. 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. During the Year Under Review, the Group has recorded a revenue of approximately HK\$85,112,000 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, industry and education, with the objective of minimising the risks while maximising the return. As at 31 March 2017, financial assets at fair value through profit or loss amounted to approximately HK\$139,746,000.

Money Lending Business

During the Year Under Review, the Group commenced new business of money leading in order to better utilise the idle funds to generate additional returns to the Company. The Group provided both secured and unsecured loans with terms ranging from several months to 1 year. The Group has recorded a revenue of approximately HK\$5,947,000 for the year. As at 31 March 2017, the loans receivable from money lending business amounted to approximately HK\$59,921,000.

Acquisition of Properties

During the Year Under Review, the Group leveraged on its solid strengths and adequate funds to acquire the entire floor of a commercial building in a prime location in Tsim Sha Tsui at a consideration of HK\$41,000,000. 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 28 September 2016.

Outlook

The Group played the strengths it has long established to attain a significant growth in turnover in the Year Under Review with quality service and products, honest operation, excellent reputation and good words of mouth. In face of the economic recovery in Hong Kong and continuing economic growth in China, 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, money lending 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 ten 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 2017 were approximately HK\$522,045,000 compared to approximately HK\$263,867,000 as at 31 March 2016. Gearing ratio of the Group was 7.3% (2016: 4.4%), based on total of bank borrowings of approximately HK\$67,731,000 (2016: approximately HK\$24,055,000) and the net assets of approximately HK\$933,822,000 (2016: approximately HK\$552,783,000). As at 31 March 2017, liability of the Group amounted to approximately HK\$359,519,000 (2016: approximately HK\$239,906,000), including trade and other payables of approximately HK\$169,387,000 (2016: approximately HK\$103,894,000) arising mainly from the daily operations of our subsidiary, Dong Fang, deferred income of approximately HK\$23,189,000 (2016: approximately HK\$18,990,000), and bank borrowings of approximately HK\$67,731,000 (2016: approximately HK\$24,055,000) 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 (2016: 3.15:1), reflecting the adequacy of financial resources.

Pursuant to the share consolidation made by the Company which completed on 23 September 2016, every two (2) issued and unissued shares of HK\$0.01 each was consolidated into one (1) consolidated share of HK\$0.02 each (“Share Consolidation”). Details of the Share Consolidation are set out in the Company’s circular dated 5 September 2016.

Pursuant to the special resolution passed in the extraordinary general meeting on 23 January 2017, the authorised capital of the Company increased from HK\$100,000,000 divided into 5,000,000,000 shares to HK\$400,000,000 divided into 20,000,000,000 shares.

Pursuant to the rights issue made by the Company which completed on 3 March 2017, the Company issued 3,642,271,908 shares in the rights issue on the basis of two (2) offer share for every one (1) share held on the record date at the subscription price of HK\$0.10 per rights issue share (the “Rights Issue”), resulting in net proceeds of approximately HK\$352,000,000. Details of the Rights Issue are set out in the Company’s prospectus dated 9 February 2017.

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\$0.272 (adjusted for the Share Consolidation which was completed on 23 September 2016) per conversion share, subject to adjustments. Up to the date of this report, the Company has repaid all outstanding balance of Subscription Convertible Note.

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.

Use of Proceeds

The Group completed the Rights Issue on 3 March 2017 resulting in net proceeds of approximately HK\$352,000,000. Details of the use of proceeds is as follows:

- approximately HK\$40,000,000 was used for the development of the Group's money lending business;
- approximately HK\$20,000,000 was used for repayment of the outstanding amount due to Dr. Cheung Yuk Shan, Shirley under the Convertible Note; and
- approximately HK\$30,000,000 was used for the development of securities trading business.

The remaining proceeds of approximately HK\$262,000,000 was unutilised at the date of this report. the date of this report.

Except for the above proceeds from the Rights Issue, all other proceeds from previous fund raising exercises have been fully utilised as at the date of this report.

Net Assets

As at 31 March 2017, the Group's net assets amounted to approximately HK\$933,822,000 compared to approximately HK\$552,783,000 as at 31 March 2016. There are no charges on the Group's assets as at 31 March 2017 and 2016.

Contingent Liabilities

As at 31 March 2017 and 2016, the Group had no material contingent liabilities.

Employee Information

As at 31 March 2017, the Group had 522 (2016: 469) employees. During the year, the Group's total staff costs amounted to approximately HK\$96,298,000 (2016: approximately HK\$90,036,000).

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 2017 there is an aggregate of 36,422,718 outstanding options to subscribe for 36,422,718 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 brands name Sau San Tong and IPRO, 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, money lending, 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 report, 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 report.

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.2.7 stipulates that the chairman of the board of directors 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 director, 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 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 30 September 2016, and the extraordinary general meetings held on 22 September 2016 and 23 January 2017. Mr. Hui Yat Lam, being the Independent Non-executive Director, due to other unexpected important

engagements, was unable to attend the annual general meeting of the Company held on 30 September 2016, and the extraordinary general meetings held on 22 September 2016. Mr. Lau Wai Leung, Alfred, being the Independent Non-executive Director, due to other unexpected important engagements, was unable to attend the extraordinary general meeting held on 23 January 2017.

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 2017.

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 2017. The audit committee has reviewed the consolidated financial statements of the Group for the year ended 31 March 2017.

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 2017.

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 2017.

CHANGE IN DIRECTORS’ INFORMATION

As disclosed in the announcement of the Company dated 16 December 2016, Ms. Hui Yat Lam resigned as an Independent Non-Executive Director of the Company with effect from 16 December 2016 and Mr. Lau Wai Leung, Alfred appointed as an Independent Non-Executive Director of the Company with effect from 16 December 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, 29 June 2017

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. Chiu Kam Hing, Kathy and Mr. Lau Wai Leung, Alfred.