Sasa

making life beautiful

Annual Report 2017/18

Sa Sa International Holdings Limited

Stock Code : 178

Eternal Beauty

Time brings budding flowers, brimming with youthful dreams
Time breeds wisdom and charisma, radiating glitz and glamour
Time distils experience into elegance, maturity into lasting beauty

Be it a spring day of blooming sakura, a hot summer of gorgeous colours
A late autumn with dancing red leaves or a chilly winter with pure snow
Sa Sa is always there with you for every delightful moment

Eternal beauty begins with sincerity
Sa Sa is forever committed to innovation and value growth
For our shareholders, employees, customers and the community
We are dedicated to New Retail in line with market dynamics
And to freeing you from time constraints to enjoy everlasting beauty

CONTENTS

CORPORATE PROFILE

Sa Sa International Holdings Limited is a leading cosmetics retailing group in Asia. According to the "Retail Asia Pacific Top 500" ranking of Retail Asia Magazine and Euromonitor in 2017, Sa Sa is the leading cosmetics retail chain in Asia. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited in 1997 (Stock Code: 178) and its business covers Hong Kong and Macau, Mainland China, Singapore, and Malaysia, in which markets it employs close to 4,800 staff. Maintaining its position as the leading cosmetics retailing group in Asia is the Group's overriding vision. Our four-fold mission is to offer quality and comprehensive beauty solutions to our customers; to share success with our staff; to build long-term partnership with our suppliers; and to adhere to the principles of good corporate citizenship.

We deliver sustainable value to our shareholders, customers, employees, suppliers and the community in the short, medium and long term through the two distinct business segments in our business model:

Retail

Sa Sa strategically positions itself as one-stop cosmetics specialty stores with a business focus on beauty. The Group caters to the market by offering a large variety of quality products from over 700 beauty brands around the globe, covering a wide spectrum of products from skin care, fragrance, make-up, body care and hair care to health food, and stretching across a broad price range from mass to premium markets for customers' selection. The resulting product portfolio appeals to a highly diverse customer base. The Group sharpens its competitive edge through enhancing product portfolio, launching new products frequently, and expanding product variety and concept. Its extensive regional retail network currently comprises over 260 "Sa Sa" multi-brand stores, as well as one La Colline specialty store, all of which are solely owned and operated by the Group. Our e-commerce platform, sasa.com, offers round-the-clock online shopping services along with comprehensive product and corporate information. It now serves customers from over 100 countries.

Brand Management

In addition to selling its own-branded products, the Group also acts as the sole agent for many international cosmetic brands in Asia. The Group currently manages over 100 exclusive major beauty brands and is responsible for their brand building, promotion and distribution. This business accounts for 39.2% of Sa Sa's total retail turnover.

Competitive Edges

Unique Positioning as a One-stop Cosmetics Specialty Store with Strong Branding

Established since 1978, Sa Sa has built a widely recognised brand leveraging on its strong management team, well thought-out corporate strategies, and a robust balance sheet. We strategically position ourselves as one-stop cosmetics specialty stores with a business focus on beauty. Sa Sa continues to be the most distinctive and "top-of-the-mind" cosmetics retail brand among local customers and PRC travellers.

Wide Range of Products Meeting Various Customer Needs

Sa Sa caters to the market by offering a large variety of quality products from over 700 beauty brands around the globe, covering a wide spectrum of products from skin care, fragrance, make-up, body care and hair care to health food, and stretching across a broad price range from mass to premium markets for customers' selection. The resulting product portfolio appeals to a highly diverse customer base. The Group sharpens its competitive edge through enhancing product improvement, launching new products frequently, and expanding product variety and concept.

Personalised Cross-brand Beauty Advice

A new beauty consultant ("BC") receives close to 260 training hours (including product knowledge; skin analysis; make-up application; selling techniques; customer service and general beauty knowledge) before he or she becomes a qualified BC. Leveraging on up-to-date service skills and product knowledge, our BCs uphold professionalism in providing tailor-made beauty advice to our customers. Their personalised beauty services, together with multi-brand recommendations and advice on product usage, fulfill the delicate needs of our customers.

Extraordinary Shopping Experience

Sa Sa is well known as the pioneer of the open shelves retail concept. Our trendy and comfortable shopping environment allows customers to choose products of different brands at ease and freely, offering them an extraordinary shopping experience. Our relentless efforts to improve our trendy store design and product display provide more in-store interaction for customers, making the images of beauty brands more outstanding and the presentation of products more appealing.

Exclusive Distributorship Logos

23years old
Abercrombie & Fitch
ARMAND BASI
ATOPALM 아토팜
AZZARO
BANILA CO
b·līv
UNITED COLORS OF BENETTON.
BENTLEY
berrisom
BEYOND
Blumarine
BRTC
BYPHASSE
COAST TO COAST
COLLISTAR
COLOR COMBOS
costro
Crabtree & Evelyn LONDON
CREMORLAB
CR7 CRISTIANO RONALDO
CROP
Cyber Colors
DoMeCare
Dr.G
Dr.Jart+
Dr.Oracle
dunhill LONDON
Easydew
Eleanor
Elizabeth Arden
Ferrari
GIANFRANCO FERRE
goodal ferment beauty
궁중비책 GOONGBE
GUESS
肌つ子
Haruhada ハルハダ
HOLLISTER
isoi
It'S SKIN
JAGUAR FRAGRANCES
john varvatos
La Colline
La Estephe
L'eau de DIAMOND BY KEISUKE HONDA
PRINCESSE MARINA DE BOURBON PARIS
Masaki PARIS
MEDIHEAL 美迪惠尔
Mercedes-Benz Perfume.
MÉTHODE JEANNE PIAUBERT
Méthode SWISS
Maris COSMETICS
NOV
Neogence 霓淨思
ON: THE BODY × KAKAO FRIENDS
PARFUMS GRÈS PARIS
Paris Hilton
페리오 PERIOE
PERLIER
PERRY ELLIS
POLICE
PORSCHE DESIGN
PUPA MILANO
Real Barrier®
Rucipello
LES PARFUMS Salvador Dalí
Salvatore Ferragamo
samourai woman
sasatinnie
SEANJOHN
SHANGPREE Spa Care System
Simply
skin79
SkinPeptoxyl
SNP Shining Nature Purity
SOMANG COSMETICS
Soo Beauté
SPRINGFIELDS THE BEAUTY OF NATURE
SUISSE PROGRAMME
SWISS Rituel
TALIKA
THE OOZOO
the SAEM
TOUS
TPO
TRANSVITAL
TRUSSARDI
VICTORINOX
VT COSMETICS

CORPORATE INFORMATION

Board of Directors

Executive Directors

Dr KWOK Siu Ming Simon, *SBS, JP* (Chairman and CEO)
Dr KWOK LAW Kwai Chun Eleanor, *BBS, JP* (Vice-chairman)
Dr LOOK Guy (CFO)

Non-executive Director

Ms LEE Yun Chun Marie-Christine

Independent Non-executive Directors

Ms TAM Wai Chu Maria, *GBM, GBS, JP*
Ms KI Man Fung Leonie, *GBS, SBS, JP*
Mr TAN Wee Seng

Company Secretary

Ms MAK Sum Wun Simmy

Head Office

8th Floor, Block B, MP Industrial Centre
18 Ka Yip Street
Chai Wan, Hong Kong

Registered Office

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Auditor

PricewaterhouseCoopers
Certified Public Accountants

Principal Share Registrar and Transfer Office

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong
Tel: (852) 2980 1333
Fax: (852) 2810 8185
E-mail: is-enquiries@hk.tricorglobal.com
Website: www.tricoris.com

Principal Bankers

Bank of China (Hong Kong) Limited
Bank of Communications Company Limited, Hong Kong Branch
Citibank, N. A.
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Standard Chartered Bank (Hong Kong) Limited
Sumitomo Mitsui Banking Corporation, Hong Kong Branch
BNP Paribas, Hong Kong Branch

Share Information

Stock code: 178
(The Stock Exchange of Hong Kong Limited)

Investor Relations

Corporate Communications and Investor Relations Department
Sa Sa International Holdings Limited
8th Floor, Block B, MP Industrial Centre
18 Ka Yip Street
Chai Wan, Hong Kong
Investor Relations Hotline: (852) 2975 3638
Fax: (852) 2595 0797
E-mail: ir@sasa.com

Corporate Website

corp.sasa.com

Shopping Site

www.sasa.com

TEN-YEAR FINANCIAL SUMMARY

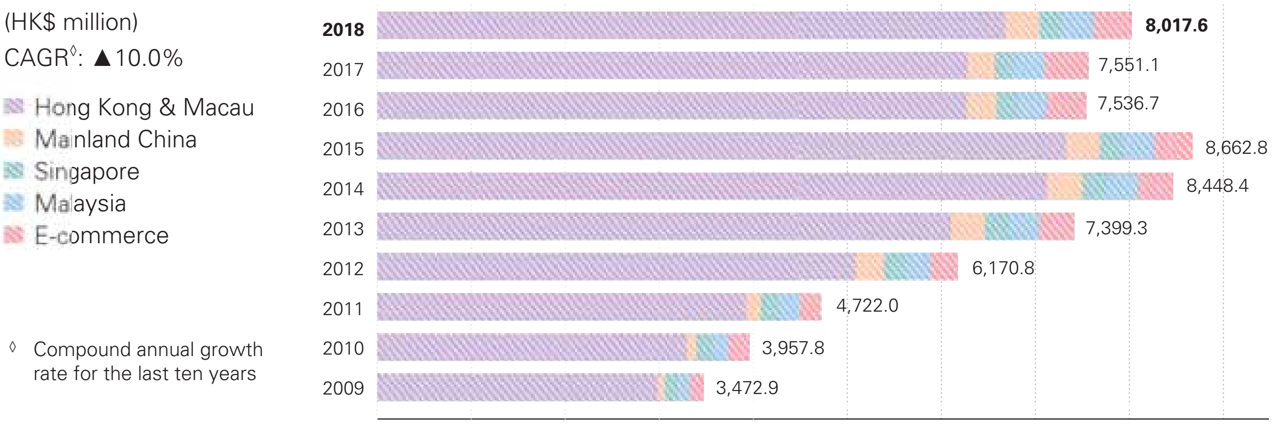
Consolidated Income Statement

	2018 HK$'000	2017 HK$'000 Restated	< Note 2> 2016 HK$'000 Restated	< Note 2> 2015 HK$'000 Restated	< Note 2> 2014 HK$'000 Restated	< Note 2> 2013 HK$'000 Restated	< Note 2> 2012 HK$'000 Restated	< Note 2> 2011 HK$'000 Restated	< Note 1 & 2> 2010 HK$'000 Restated	< Note 1 & 2> 2009 HK$'000 Restated
Turnover										
– Continuing operations	**8,017,613**	7,551,074	7,536,664	8,662,801	8,448,437	7,399,341	6,170,847	4,721,994	3,957,753	3,472,915
– Discontinued operation	**213,161**	195,078	254,580	289,245	282,311	254,546	225,801	173,324	147,060	131,715
	8,230,774	7,746,152	7,791,244	8,952,046	8,730,748	7,653,887	6,396,648	4,895,318	4,104,813	3,604,630
Gross profit										
– Continuing operations	**3,373,866**	3,140,509	3,263,262	3,939,283	3,979,614	3,467,106	2,808,606	2,140,415	1,756,727	1,523,189
– Discontinued operation	**94,476**	88,309	109,566	125,377	123,328	112,975	99,551	77,714	62,922	56,721
	3,468,342	3,228,818	3,372,828	4,064,660	4,102,942	3,580,081	2,908,157	2,218,129	1,819,649	1,579,910
Gross profit margin										
– Continuing operations	***42.1%***	*41.6%*	*43.3%*	*45.5%*	*47.1%*	*46.9%*	*45.5%*	*45.3%*	*44.4%*	*43.9%*
– Discontinued operation	***44.3%***	*45.3%*	*43.0%*	*43.3%*	*43.7%*	*44.4%*	*44.1%*	*44.8%*	*42.8%*	*43.1%*
	42.1%	*41.7%*	*43.3%*	*45.4%*	*47.0%*	*46.8%*	*45.5%*	*45.3%*	*44.3%*	*43.8%*
Operating profit/(loss)										
– Continuing operations	**548,833**	411,222	475,173	992,023	1,115,349	990,546	828,068	605,570	460,586	376,161
– Discontinued operation	**(23,821)**	(15,929)	(14,098)	(235)	(1,843)	(3,377)	306	2,697	(1,262)	(5,254)
	525,012	395,293	461,075	991,788	1,113,506	987,169	828,374	608,267	459,324	370,907
Profit/(loss) for the year										
– Continuing operations	**465,243**	342,509	397,415	838,883	936,926	828,874	689,290	506,492	383,036	321,792
– Discontinued operation	**(25,123)**	(15,804)	(13,945)	(72)	(1,691)	(3,240)	419	2,778	(1,149)	(5,049)
	440,120	326,705	383,470	838,811	935,235	825,634	689,709	509,270	381,887	316,743
Profit margin										
– Continuing operations	***5.8%***	*4.5%*	*5.3%*	*9.7%*	*11.1%*	*11.2%*	*11.2%*	*10.7%*	*9.7%*	*9.3%*
– Discontinued operation	***–11.8%***	*–8.1%*	*–5.5%*	*–0.0%*	*–0.6%*	*–1.3%*	*0.2%*	*1.6%*	*–0.8%*	*–3.8%*
	5.3%	*4.2%*	*4.9%*	*9.4%*	*10.7%*	*10.8%*	*10.8%*	*10.4%*	*9.3%*	*8.8%*

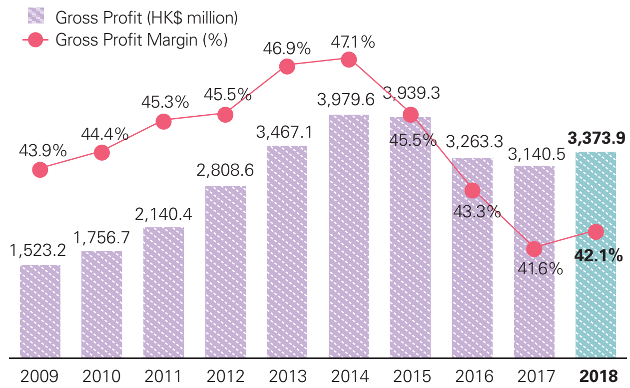
Consolidated Statement of Financial Position

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total assets	**3,577,048**	2,929,077	2,971,503	3,390,073	3,237,427	2,797,241	2,466,500	1,876,511	1,569,485	1,408,912
Total liabilities	**(1,094,208)**	(709,911)	(683,217)	(915,565)	(912,298)	(821,767)	(835,676)	(523,818)	(384,711)	(291,856)
Net assets	**2,482,840**	2,219,166	2,288,286	2,474,508	2,325,129	1,975,474	1,630,824	1,352,693	1,184,774	1,117,056
Shareholders' funds										
Share capital	**303,885**	299,444	289,213	284,468	284,306	282,691	281,467	280,253	139,131	138,125
Reserves	**2,178,955**	1,919,722	1,999,073	2,190,040	2,040,823	1,692,783	1,349,357	1,072,440	1,045,643	978,931
Total equity	**2,482,840**	2,219,166	2,288,286	2,474,508	2,325,129	1,975,474	1,630,824	1,352,693	1,184,774	1,117,056

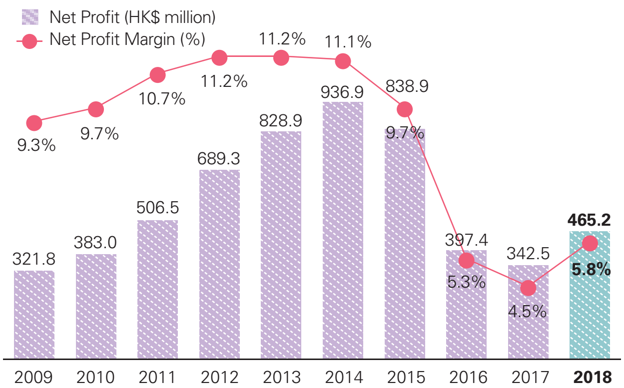
Turnover
(Continuing Operations)



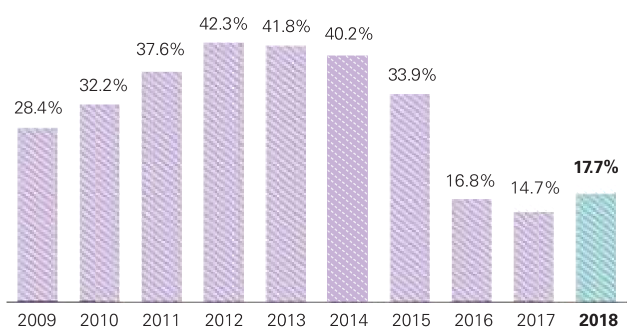
Gross Profit and Gross Profit Margin
(Continuing Operations)



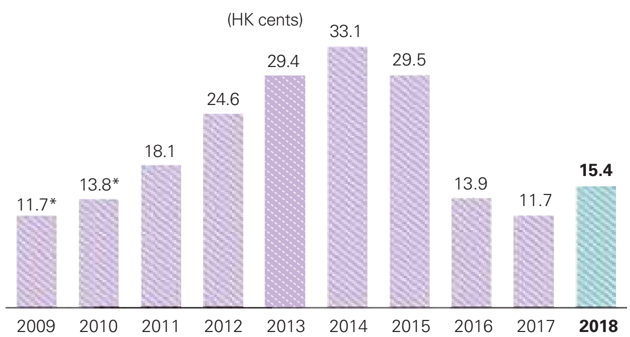
Net Profit and Net Profit Margin
(Continuing Operations)



Return on Equity



Basic Earnings Per Share
(Continuing Operations)



* Adjusted for the 1:1 Bonus Issue

Consolidated Statement of Cash Flows

	2018 HK$'000	< Note 2> 2017 HK$'000 Restated	< Note 2> 2016 HK$'000 Restated	< Note 2> 2015 HK$'000 Restated	< Note 2> 2014 HK$'000 Restated	< Note 2> 2013 HK$'000 Restated	< Note 2> 2012 HK$'000 Restated	< Note 2> 2011 HK$'000 Restated	< Note 1 & 2> 2010 HK$'000 Restated	< Note 1 & 2> 2009 HK$'000 Restated
Net cash generated from operating activities	**748,214**	356,723	578,922	1,069,606	1,021,080	846,245	639,477	443,103	414,655	334,498

Per Share Data and Key Ratios

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Basic earnings per share (HK cents) (Note 3)										
– Continuing operations	**15.4**	11.7	13.9	29.5	33.1	29.4	24.6	18.1	13.8	11.7
– Discontinued operation	**(0.8)**	(0.5)	(0.5)	(0.0)	(0.1)	(0.1)	0.0	0.1	(0.0)	(0.2)
	14.6	11.2	13.4	29.5	33.0	29.3	24.6	18.2	13.8	11.5
Diluted earnings per share (HK cents) (Note 3)										
– Continuing operations	**15.4**	11.7	13.9	29.5	33.0	29.3	24.4	18.0	13.7	11.7
– Discontinued operation	**(0.8)**	(0.5)	(0.5)	(0.0)	(0.1)	(0.1)	0.0	0.1	(0.0)	(0.2)
	14.6	11.2	13.4	29.5	32.9	29.2	24.4	18.1	13.7	11.5
Return on equity	**17.7%**	14.7%	16.8%	33.9%	40.2%	41.8%	42.3%	37.6%	32.2%	28.4%
Dividend per share (HK cents) (Note 3)										
Basic	**14.5**	13.0	14.0	14.0	13.5	7.5	5.5	4.0	4.0	4.0
Special	**3.0**	4.0	9.5	9.5	10.0	13.5	12.0	10.0	10.0	7.5
Total	**17.5**	17.0	23.5	23.5	23.5	21.0	17.5	14.0	14.0	11.5
Dividend payout ratio	**120.7%**	154.9%	176.1%	79.7%	71.4%	71.9%	71.4%	77.1%	102.0%	100.3%
Dividend yield as at 31 Mar (Note 3)	**4.3%**	5.6%	9.8%	6.2%	3.8%	2.8%	3.9%	3.5%	4.6%	9.5%
Closing share price as at 31 Mar (HK$) (Note 3)	**4.06**	3.06	2.41	3.79	6.22	7.51	4.50	3.97	3.03	1.21
Price/Earnings (times)	**27.8**	27.4	17.9	12.8	18.8	25.7	18.3	21.8	22.0	10.5
Net assets value per share (HK$) (Note 3)	**0.82**	0.74	0.79	0.87	0.82	0.70	0.58	0.48	0.43	0.40
Current ratio (times)	**2.97**	3.81	3.90	3.31	3.05	2.82	2.47	3.09	3.57	4.31
Gearing ratio	**–**	–	–	–	3.4%	–	–	–	–	–

Operational Data

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Number of retail outlets for the continuing operations	**265**	263	259	255	251	232	223	185	156	137
–Multi-brand "Sasa" stores	***264***	*261*	*256*	*249*	*242*	*221*	*201*	*162*	*135*	*112*
–Single-brand stores/counters	***1***	*2*	*3*	*6*	*9*	*11*	*22*	*23*	*21*	*25*
Total gross retail area for the continuing operations (rounding to the nearest thousand sq ft) (Note 4)	**551,000**	566,000	555,000	565,000	589,000	514,000	463,000	331,000	271,000	221,000
Stock turnover days	**102**	99	91	103	108	111	125	109	90	84
Number of employees (rounding to the nearest hundred)	**4,800**	4,900	4,900	5,000	5,000	4,800	4,300	3,500	2,800	2,600

Note:

1) In 2011, the Group had changed its accounting policy for measurement of leasehold building to cost less accumulated depreciation ("cost model") instead of fair value amounts less subsequent depreciation. This change meant that the building component and the more significant land component of property leases were measured on the same cost basis. The change had been applied retrospectively to remaining useful lives at the date of change of accounting policy.
2) Prior to 1 April 2016, the Group recognised certain incentives received from suppliers as part of its revenue or offset against the Group's selling expenses. During the year end 31 March 2017, the Group has revisited its arrangements with its suppliers and considered incentives received from suppliers for which the Group did not provide any separable identifiable promotion service, should be accounted for as a reduction of its cost of sales. Adjustments have been made to reclassify the comparative information to conform with the current year presentation.
3) Figures from 2009 to 2010 has been adjusted for the 1:1 Bonus Issue.
4) The information on retail space provided is intended to allow the readers to appreciate the growth in retail network and the size of retail space only. As there are significant variation in sales per square foot between stores of different store sizes, as well as stores in different countries and location, the retail space information provided should not be used to analyse the trend on sales per square foot.

FOOTPRINT IN ASIA

265

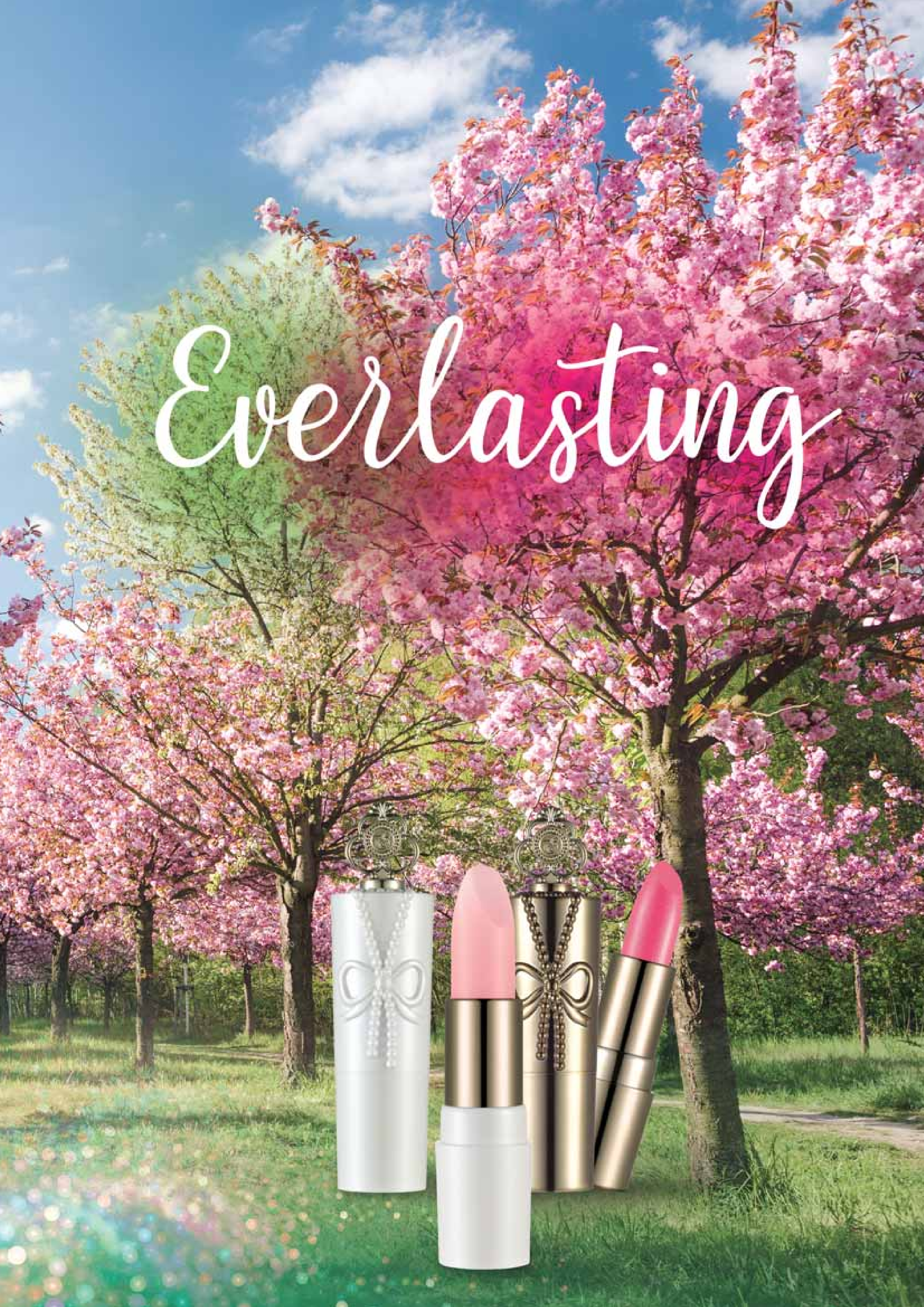
points of sales*

Group Retail Network in Asia

	As at 31 March 2018	
(Continuing operations)	Multi-brand "Sasa" Stores	Single-brand Stores/Counters
Hong Kong & Macau	117	1
Mainland China	55	–
Singapore	20	–
Malaysia	72	–
Total	264	1

* As at 31 March 2018


Eleanor
Eleanor
The Miracle Key


Everlasting

AWARDS AND RECOGNITIONS

Corporate Governance and Management

The Group's Vice-chairman, Dr Eleanor Kwok was named "Excellent Businesswomen" by Hong Kong Commercial Daily and "Asian Outstanding Leaders Awards for Women" by Asian College of Knowledge Management respectively in recognition of her conspicuous achievements in business sector, as well as her exemplary contributions to community services.

The Group won "Overall Best IR Company" (Small-cap) and five other awards in the small-cap category at the fourth Investor Relations Awards organised by Hong Kong Investor Relations Association ("HKIRA").

The Group received the following prizes in the small-cap category:

- Overall Best IR Company
- Best IR Company
- IR Awards for 3 years
- Best IR by Chairman/CEO – Dr Simon Kwok, Chairman and Chief Executive Officer
- Best IR by CFO – Dr Guy Look, Chief Financial Officer and Executive Director
- Best Investor Meeting

With the theme of "Be Trendy • Enjoy Life", the Group's Annual Report 2015/16 was awarded three recognitions in "2017 International ARC Awards" contest, which included "Silver Cover Photo/ Design" and "Bronze Traditional Annual Report" in Beauty Products category, as well as "Honor Traditional Annual Report" in Beauty and Cosmetic category. Having a reputation of "The Oscar" for annual reports, "International ARC Awards" set the highest standard for report production. The awards are definitely great acknowledgment to the Group's production team.

With Annual Report 2016/17 "Beauty Propagating", the Group was awarded "2017 Best Annual Reports Awards – Honourable Mention" organised by the Hong Kong Management Association (HKMA).

The Group Annual Report 2016/17 won Honours Award of Design – Bound Publications: Annual Reports – Traditional: Hong Kong in International Galaxy Awards 2017.

The Group was awarded "Most Valuable Company in Consumer and Service Sector" in Golden Hong Kong Stocks Awards 2017, recognising the Group's excellent performance in operational management, corporate governance and investor relations.

The Group was awarded the Certificate for Excellence in Investor Relations in the IR Magazine Awards – Greater China 2017 by the internationally respected IR Magazine. The award has testified to the recognitions from the investment community to the Group's performance and its commitment to foster investor relations.

Brand Recognition

The Group was awarded the "Brand of the Year Award" in the Regional Tier at the World Branding Awards 2017-18 organised by World Branding Forum. It was voted by consumers in Hong Kong and various Asian countries. Sa Sa was the only brand selected in Hong Kong under the category of Retailer – Beauty Products category for this year's Awards.

The Group's online shopping platform sasa.com was ranked seventh in "Weibo Ten Most Influential Hong Kong Corporations" at "Weibo's Night Hong Kong 2017 Awards Ceremony" organised by Sina Hong Kong.

RETAIL ASIA PACIFIC TOP 500 ©

Since 2005, Sa Sa was named one of the "Retail Asia Pacific Top 500" by Retail Asia Magazine, a credible magazine in Asia, holding the 270th place in this fiscal year. The ranking once again recognised the Group's leading position in Asia's cosmetics retailing industry.

Service Excellence

The Group has received a total of seven accolades – two "Mystery Shoppers Programme 2017" Awards and five "Service and Courtesy Awards" from the Hong Kong Retail Management Association (HKRMA):

Mystery Shoppers Programme 2017

- Service Retailers of the Year – Silver Award (La Colline)
- Service Retailers of the Year – Beauty Products/ Cosmetics Category Award (La Colline)

Service and Courtesy Awards

- The Best Team Performance Award – Gold Award
- Individual Award – Supervisory Level (Lifestyle Stores Category)
- Individual Award – Junior Frontline Level (Lifestyle Stores Category)
- Two Outstanding Performance Awards – Junior Frontline Level (Lifestyle Stores Category)

The Group has been awarded "Tourists' Choice" at the "Hong Kong Service Awards 2018" organised by East Week Magazine. This is the tenth Hong Kong Service Award received by the Group, attesting to the Group's leading position in the area of customer service over the years.

The Group was honored to be recognised by the 2017 Outstanding QTS Merchant & Service Staff Awards organised by the Quality Tourism Services Association and received the following awards in the Cosmetics, Personal Care Products & Specialty Store category:

- Outstanding QTS Merchant Award – Gold: La Colline Store
- Outstanding QTS Merchant Award – Silver: Sa Sa Cosmetic
- Outstanding QTS Merchant Service Staff Award
  - Frontline Staff: Two Gold and one Bronze
  - Supervisory Staff: One Gold, one Silver and one Bronze

Corporate Social Responsibility

Hang Seng Corporate Sustainability Index Series Member 2017-2018

The Group was selected as a constituent member of "Hang Seng Corporate Sustainability Benchmark Index" since 2011.

Sa Sa has participated in the "Low-carbon Office Operation Programme (LOOP) Labelling Scheme" organised by WWF-Hong Kong for six years. It was rewarded the Gold Certified Label for the fifth consecutive year, in recognition of its active promotion and execution in energy conservation.

LOOP GOLD
WWF LOW CARBON OFFICE OPERATION PROGRAMME

CSR PLUS HKQAA CSR INDEX

The Group continued to receive the CSR Index Plus Mark published by Hong Kong Quality Assurance Agency, in recognition of its achievements in CSR.

WWF Silver Member 純銀會員2017/18 HONG KONG

Sa Sa continued to be the Silver Member of WWF-HK and obtained certification, and it will further support the organisation in continuing to promote environmental education and conservation programmes within Hong Kong community.

10 years+ 商界展關懷 caringcompany
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

Organised by the Hong Kong Council of Social Service, the Caring Company Scheme aims at promoting corporate social responsibility among local companies and recognising their efforts in caring for the community, employees and the environment. Being awarded the Caring Company logo for 13 consecutive years, Sa Sa received the "10 Year Plus Caring Company Logo" in 2015, in recognition of its contributions in building a cohesive society.

MANPOWER DEVELOPER Awarded by ERB

Sa Sa was accredited as Manpower Developer from 2015 to 2018 by the Employees Retraining Board.

Awards Presented to Sa Sa's Exclusive Products

HONG KONG

JESSICA My Star-Rated Beauty Award 2017

Best Intensive Repair & Rejuvenating Skincare
Suisse Programme Advanced Cellular Skin Radiance Serum

Best Anti-wrinkle & Energizing Eye Masks
La Colline Cellular Vital Eye Mask

Cosmopolitan Best of the Best Beauty Award 2017

Best Refining Treatment – Champion
Dr. Jart+ Cicapair Cream

Best Acne Treatment – 1st Runner up
Dr. G R.E.D Blemish Soothing Ampoule

Best B.B./C.C. Cream – 1st Runner Up
banila co. it Radiant CC Cream SPF30 PA++

SINGAPORE

CLEO Beauty Hall of Fame 2017

Best Glow Enhancer
Chosungah 22 24 Hr Raybeam Cream

Best Body Exfoliator
Collistar Anti-age Talasso Scrub

Best Cleanser for Acne Prone Skin
NOTS 28 Remedy Acne Pore Deep Cleanser

Best Eye Palette Under $50
Sasatinnie Natural Couture Eye Palette

CLEO Body Awards 2017

Best Sunscreen for Daily Use
Ajuste UV Spray – Garden Herb

CLEO Clear Skin Awards 2018

Best Foam Cleanser under Oily Skin Category
Dr.G Pore Deep Clearing Foam

Best Serum under Acne-prone Skin Category
Dr.G A-clear Spot Repairing Serum

Best Cleanser Foam under Normal Skin Category
Suisse Programme Hydra Solution Refining Foam Cleanser

Best Makeup Remover under Oily Skin Category
Cyber Colors Gentle Eye Makeup Remover

Best Complex under Dry Skin Category
SkinPeptoxyl Hydrating B5 Complex Hyaluronic Acid

CLEO Body Awards 2018

Best Waterproof Sunscreen
Hadatuko UV Cut Spray Face & Body SPF 50

Best Post-sun Soothing Gel
Soo Beaute Jeju Green Aloe Gel 99% Soothing Gel

MALAYSIA

Cittabella 2017/2018 Beauty Awards

Best Women Fragrance (Flora)
Mercedes Benz for Women

Best Anti Aging Care
Guerisson Red Ginseng

Best Pore Control
Neogence Extremely Off Heads Serum PH 5.5

Best Mascara
Pupa Vamp! Mascara

Best Primer
The Balm Timebalm Face Primer

Anugerah Seri Jelita 2017

Best Hair Treatment
Haruhada Horse Oil Treatment

Best Beauty Buys 2017

Best Body Shaping Treatment
Collistar Biorevitalizing Anticellulite Concentrate

SHAPE Favourites 2017

Best Face Spray
Suisse Programme Hydra Solution Bio-cellular Oxy Water

Her World Beauty Awards 2018

Best Body Scrub
Collistar Brightening Talasso Scrub

Best Anti Aging Serum
Suisse Programme Advanced Boosting Cellular

Best Eyebrow Enhancer
Cyber Colors 3 in 1 Eyebrow Pencil

Best Cream Lipstick
Miss Pupa Ultra Brilliant Lipstick

Best Cushion Compact
Cyber Colors SPF50 PA+++ Rosy Glow CC Cushion

Best Spot Corrector
NUXE Intensive Whitening Dark Spot Correcting Serum

Best Anti Aging Moisturizer
Dr.G Actifirm Real Lifting Cream

Fragrance

Imperishable

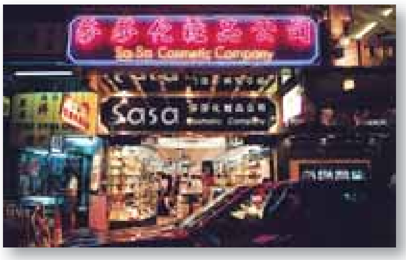
MILESTONES

1978

Mrs Eleanor Kwok and Mr Simon Kwok began their cosmetics retail business from a 40-sq. ft. "Sa Sa" counter in Hong Kong.

1990

First "Sa Sa" standalone highstreet store in Causeway Bay, Hong Kong.



1992

First branch store in Tsim Sha Tsui, Hong Kong.

1997

- Listed on the Main Board of the Hong Kong Stock Exchange in June with an oversubscription rate of more than 500 times.
- First stores in Macau, Taiwan and Singapore.

1998

First store in Malaysia.

2000

- Opening of the first La Colline specialty store.
- Launch of sasa.com to offer round-the-clock online shopping of beauty products.

2002

Appointed as sole agent for a leading global prestige brand, Elizabeth Arden, in Hong Kong and Macau.

2005

First Mainland store in Shanghai, China.

2006

First Suisse Programme beauty counter in Mainland China.

2009

First Suisse Programme specialty store in Hong Kong.

2011

- The Group's 200th store in Asia.

2013

- 35th anniversary of the Group.
- "Sa Sa Making Life Beautiful Charity Fund" was founded.
- Opening of Sa Sa Supreme, the first lifestyle concept store in Asia Pacific, in Causeway Bay, with approximately 20,000 sq. ft.

2014

- Title sponsor for the "Sa Sa Ladies' Purse Day" for the 10th consecutive year.

2015

- The Group launched a new brand image, with three women's side silhouettes echoing the brand to care for women at different ages, making them always beautiful.

2016

- Opening of Sa Sa Boutique and SHINE.
- Strategic partnership with Tencent and JD Group.
- First O2O Store opened in Shanghai.

2017

- Sa Sa Mall was launched on WeChat.
- Sasa.com Mobile App was launched in mainland China.
- Strategic cooperation agreement with NetEase's cross-border e-commerce platform Kaola.
- Grand opening of Sa Sa's flagship store on Tmall Global.
- Launch of house brand – Eleanor in Hong Kong, with its first exclusive store in Sa Sa Supreme and the pop-up store outside Hysan Place in Causeway Bay.

2018

- 40th anniversary of the Group.
- The Group launched the co-branded "BOC Sa Sa Dual Currency Credit Card" with Bank of China (Hong Kong) and Union Pay International.


Méthode SWISS
Méthode SWISS
BEAUTY CARE
Méthode SWISS
BEAUTY CARE
EDELWEISS MOISTURIZING CREAM
CREME HYDRATANTE EDELWEISS


Immortal
Méthode SWISS
BEAUTY CARE
EDELWEISS
HYDRATING SERUM
SERUM HYDRATANT
EDELWEISS
Méthode SWISS
BEAUTY CARE
EDELWEISS
MOISTURIZING MASK
MASQUE HYDRATANT
EDELWEISS

CHAIRMAN'S STATEMENT

"We firmly believe that the Group's remarkable brand position in the regions, our responsiveness, our timely strategies for expansion and our cost management will enable us to seize fresh opportunities and reach new heights."

Dr Simon Kwok, *SBS, JP*
Chairman and Chief Executive Officer

I hereby report that Sa Sa International Holdings delivered sales and profit growth for the year ended 31 March 2018 (the "financial year"), benefitting from China's domestic policies and various favourable economic factors.

Driven by the ongoing recovery of local consumption and the robust growth of Mainland customers' spending, turnover reached HK$8,017.6 million, an increase of 6.2% over the previous year for the continuing operations. The Group continued to rationalise our store network by decisively closing our loss-making shops in the Taiwan. Excluding the Taiwan network, the number of retail outlets for our continuing operations increased from 263 to 265 as at 31 March 2018. Taking into account of the net loss of HK$25.1 million from discontinued retail operation in Taiwan, the Group's profit for the year was HK$440.1 million, an increase of 34.7% over the HK$326.7 million achieved in the last financial year.

The Group is committed to generating sustained and consistent returns to our shareholders. The Board of Directors proposed a final dividend of 11.0 HK cents (2017: 8.0 HK cents) per share, together with a special dividend of 3.0 HK cents per share (2017: Nil) to commemorate the 40th anniversary of the Group, payable in cash with a scrip dividend alternative, subject to shareholders' approval. Total annual dividend amounted to 17.5 HK cents (2017: 17.0 HK cents) per share after taking into account the interim dividend of 3.5 HK cents (2017: 9.0 HK cents) per share.

Our Past Efforts Begin to Pay Off as Hong Kong & Macau Markets Improve

Hong Kong and Macau

In our core market of Hong Kong and Macau, the favourable local consumption environment and the completion of several large-scale infrastructure projects are expected to drive sustained economic development and the ongoing recovery of the retail market. According to a survey conducted by Mastercard of Hong Kong consumer confidence in the second half of 2017, the relevant index increased by 15.2 to 62.1 in comparison to 47.0 in the first half of 2017. This performance was the strongest increment in terms of consumer confidence in the APAC region, indicating the strength of consumer sentiment in Hong Kong.

The higher employment rate, a gradual increase in residents' income and the wealth effect of rising home prices in the third- and fourth-tier cities of Mainland China, continue to drive up consumer sentiment. At the same time, e-commerce activities are rapidly evolving into New Retail practices, accelerating the demand for cosmetics from Mainland tourists. The weakness of the US Dollar exchange rate and the strength of the Renminbi ("RMB") have further encouraged the outbound travel and consumption of Mainland tourists.

During the financial year, the overall retail market increased by 6.3% while medicine and cosmetics sales in Hong Kong grew by a robust 9.4%. During the same period, cosmetics and sanitary articles sales in Macau rose by 14.9%. The cosmetics industry performed reasonably well in comparison to the overall retail market performance.

The Group's sales and profits both recorded a significant increase with a growth rate of 7.9% for sales in Hong Kong and Macau. More importantly, the Group's performance in these markets gathered momentum towards the end of the fiscal year. Retail sales rose a dynamic 18.6% in the fourth quarter, the highest quarterly growth rate within the financial year. We aim to maintain this upward momentum, keeping pace with the times while continuously improving to maintain our dominant position.

The Group has implemented an effective store strategy by relocating to new stores at premium locations in tourist districts and away from second line locations. This strategy is aimed at adjusting rents and enhancing brand exposure and sales growth. Overlapping rentals for the full year amounted to HK$41.3 million. However, the Group's rental-to-sales ratio dropped remarkably due to the closure of low-productivity stores, the impact of rental reductions gradually taking effect, and faster sales growth in the second half year.

In terms of inventory management, we successfully expedited new product launches through adopting a more flexible and effective sourcing procedure. We also streamlined our product offerings while our newly consolidated warehouse improved overall logistical efficiency and product shipments. Through enhancing our product auto-replenishment mechanism and continuously optimising inventory management and in-store safety stock, the Group managed to improve in-store stock availability and reduce out-of-stock incidences. This enabled the Group to improve sales and achieve more effective cost management.

The sales mix of House Brand products in Hong Kong and Macau strengthened in the first half, driving up gross profit margin and allowing us to partly offset operating cost pressures. In the second half, the replenishment of inventory to a healthier level following the completion of our warehouse relocation and the introduction of more trendy products at different price levels with good value and functionality resulted in enhanced product competitiveness and sales growth. This compromised gross profit margin within an acceptable level in the second half while gross profit improved more satisfactorily.

The Group strengthened our information technology system to enhance overall operational efficiency. Measures taken included improving the Point of Sale ("POS") system to improve process automation, simplifying the workflow, and standardising promotions for optimising the checkout process. This resulted in reduced checkout time and offered customers an improved shopping experience.

Beyond Hong Kong and Macau

The Group is dedicated to expanding our markets beyond Hong Kong and Macau as well as to developing our e-commerce business. We have strategically adjusted our business, including closing the loss-making retail shops in Taiwan, in order to strengthen our efforts to enhance operations in Mainland China, Hong Kong, Macau, Singapore and Malaysia markets as well as our e-commerce business, for improved market share and sales growth. We have also continued to integrate our online and offline operations to increase competitiveness, as well as to provide a more satisfying and seamless shopping experience to our customers.

We are heartened by the ongoing improvements in our non-Hong Kong and Macau markets, and we will work extremely hard to sustain the momentum. The Group is committed to enhancing our business operations and efficiency, including continuously improving our product portfolio.

Mainland China and E-commerce

In Mainland China, we have stabilised and enhanced the local management team while boosting overall operational efficiency and functionality. To strengthen store and cost management, we have closed non-performing stores and those in isolated locations, while at the same time opening new stores in key city clusters within close proximity.

The rapid development of e-commerce has presented us with a unique opportunity to exploit the weakness in the rental cycle. We are leveraging this opportunity to target expansion of our store network and retail spaces. Although we will expand our store network cautiously, we are optimising logistics and warehouse operations while adopting new operational measures, reducing inventory, improving warehouse operations, and enhancing efficiency.

As we continue to improve our product portfolio and marketing promotion strategies, we have begun to prepare for the launch of initiatives in the era of "New Retail" to drive consumption growth.

The Group is partnering with various renowned e-commerce platforms in Mainland China and exploring new potential channels and partners, with the aim of expanding our customer base, promoting the Group's brand name, and driving sales.

We are merging the online team of the Category Management and Product Development ("CMPD") function with that of the main team running our Hong Kong and Macau physical stores. This will allow us to strengthen coordination, reduce costs, and enhance team communication and operational efficiency.

The relocation of our warehouse has strengthened effective inventory management, greatly reducing delivery time and logistics costs as well as inventory costs. Through various logistical methods including the successful introduction of the cross-border e-commerce B2C direct mailing services, we have increased delivery efficiency and improved the Group's competitiveness and profitability.

The Group has also adopted a broad spectrum of measures to enhance sales and customer shopping experience, including the launch of our new mobile app with optimised stability and various innovative functions.

Singapore and Malaysia

In Singapore, the Group's management structure has stabilised following the re-organisation. Localisation strategies have also proved effective. The closure of underperforming stores and the consolidation of our existing store network has enhanced management and cost-effectiveness. Building on this base, we will expand our store network to increase market foothold, improve profitability, and increase contributions for the Group.

Over the financial year, we strategically implemented an effective marketing strategy, offering a diversified product portfolio and enhancing our staff's selling skills to drive sales and improve store profitability.

In Malaysia, the more traditional brick and motor retail industry has been impacted by the rapid development of e-commerce. Many shopping malls have also opened, diluting the traffic to our existing stores, especially in the capital Kuala Lumpur, and indirectly affecting our stores' turnover. However, supported by a robust retail network and effective marketing campaigns, the Group's sales performance in Malaysia remained steady. The Group will capture further business opportunities by establishing online elements in Malaysia so as to create synergies with our offline business.

The political climate in Malaysia was uncertain before the General Election this May. Since then, the new government has rolled out major reform initiatives, including the cancellation of the Goods and Service Tax (GST) on 1 June, and the introduction of a new form of consumption tax in the coming months. These policy changes have aggravated the burden on retailers, and the consumer sentiment of the general public has also weakened.

Highway to the Future

The Hong Kong Retail Management Association forecasts that sales for the whole 2018 calendar year in Hong Kong could break the record HK$500 billion set in 2013. When the Hong Kong-Zhuhai-Macau Bridge and Guangzhou-Shenzhen-Hong Kong Express Rail Link are formally opened, the Greater Bay Area will form a "one-hour living circle" in close proximity to each other. This circle will generate an abundant flow of people and considerable consumption potential.

Market integration will facilitate the flow of people, logistics, capital and information in the Greater Bay Area, while also strengthening the freedom and convenience of service trades in the region. This ever-closer integration will undoubtedly drive further economic development as well as the expansion of the retail market. The Group's expansion of retail outlets is in full swing. In the next financial year, the Group plans to open approximately four new stores in the cities within the Greater Bay Area, that have been initially confirmed in Dongguan, Zhuhai and Jiangmen.

During the year, the buoyant local and regional economy benefited property sales and investment, while stimulating the momentum of local consumption. The satisfactory employment situation and continuous growth in the number of visitors to Hong Kong also brought strong support to the retail industry. We expect these factors to unleash new consumption potential in the Greater Bay Area and to expand the scale of the retail market.

Marching towards the Era of "New Retail"

The Group is confident of the long-term sustainability of our business, not only in our Hong Kong and Macau stores, but also in the offline and online environments and throughout the regions. We strongly believe that the ongoing integration of online and offline business will strengthen our interaction with customers, provide customers with better service, and deliver a more intimate shopping experience.

Jack Ma, the founder of Alibaba, has remarked that "New Retail" is "the integration of online, offline, logistics and data across a single value chain". As the world enters the digital era, big data, social media and artificial intelligence are being widely applied to improve the everyday lives of citizens and to expand businesses. We will increasingly synchronise our physical stores, online stores, and logistics as well as our marketing efforts with the ultimate aim of providing a seamless shopping experience to our customers.

As a first step, the Group will consolidate online and offline customer data, establish an integrated VIP database, collect and analyse consumer behaviour, and try to better understand consumer needs and preferences. We will also strive to provide customers with one-stop personalised product recommendations and targeted promotions to enhance sales and the customer experience.

Further ground-breaking innovations include a more comfortable in-store shopping environment, the launch of enticing new products, enhanced product displays, and a proposed in-store Internet Of Things (IOT) – an interactive customer experience to deepen enjoyment of product browsing and the product trial process.

Customer centricity is the driving force for "New Retail". On this front, service excellence has always been Sa Sa's premier core value, which has placed us in an advantageous position for leveraging this transformation. Our service has helped us to build long-term relationships and trust with local and overseas customers while also strengthening Sa Sa as a top-of-the-mind brand in the market. To respond to rapid changes in the market environment, our training, services and incentives are all adjusting to deliver a more personalised shopping experience to our customers.

Optimised Product Strategy, Logistics and Inventory Management

In terms of product strategy, the Group will strategically optimise our product portfolio, improve our management of the product life cycle, and eliminate low productivity SKUs. We will fill product gaps according to function and price points and upgrade store displays, while also accelerating the launch of high volume trendy products to attract traffic and meet market demand. At the same time, the Group will strengthen our brand position and marketing promotion measures, increase brand awareness and market recognition, and strive to achieve a better balance between sales growth against gross profit margin to maximise contributions to the Group's turnover and profits.

In the middle of the fiscal year, the Group consolidated and relocated our Hong Kong warehouses, which has gradually improved our logistics and inventory management. We will continue to strengthen warehouse management and automation, speed up delivery time and reduce the logistics cost of online and offline business in Mainland China, Hong Kong and Macau, while promoting overall logistics efficiency.

Conclusion

I would like to take this opportunity to express my heartfelt gratitude to my loyal and committed Sa Sa colleagues and management team for their hard work and contributions towards achieving the Group's sustainable development goals and vision. Our financial strength and professional management support the Group's long-term competitive advantage, enabling us to create sustainable value for our shareholders. No matter what challenges the future may bring, I firmly believe that the Group's remarkable brand position in the regions, our responsiveness, our timely strategies for expansion and our cost management will enable us to seize fresh opportunities and reach new heights.

Finally, as a responsible corporate citizen, we are proud to take up the responsibility of serving our local society. The Group will continue to uphold our belief in "from the community, for the community", expanding and growing whilst actively giving back and moving forward with the community.

Dr Simon Kwok, *SBS, JP*
Chairman and Chief Executive Officer
Hong Kong, 21 June 2018


Timeless
SUISSE PROGRAMME
SUISSE PROGRAMME
- ADVANCED -
CELLULAR CLEANSING GEL
GEL DEMAQUILLANT CELLULAIRE
SUISSE PROGRAMME
- ADVANCED -
CELLULAR REVITALIZING TONER
TONIQUE VITALISANT CELLULAIRE
SUISSE PROGRAMME


SUISSE
PROGRAMME
CAVIAR PREMIER
LIFTING SERUM
SUISSE
PROGRAMME
-ADVANCED-
CELLULAR
VITAL EYE CREAM
SUISSE
PROGRAMME
SUISSE
PROGRAMME
- ADVANCED -
CELLULAR AQUA DAY CREAM
CREME CELLULAIRE DE JOUR

MANAGEMENT DISCUSSION & ANALYSIS

Turnover (Continuing Operations)	Sales of Retail & Wholesale In HK & Macau	The Group's Profit
^6.2%	^7.9%	^ 34.7%
HK$ 8,017.6 million	HK$ 6,761.6 million	HK$ 440.1 million

Consolidated Income Statement for the Year Ended 31 March 2018

	Full year		First half		Second half	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
		Restated	**Restated**	Restated		Restated
Continuing Operations						
Turnover	**8,017,613**	7,551,074	**3,566,983**	3,503,817	**4,450,630**	4,047,257
Cost of sales	**(4,643,747)**	(4,410,565)	**(2,052,572)**	(2,041,278)	**(2,591,175)**	(2,369,287)
Gross profit	**3,373,866**	3,140,509	**1,514,411**	1,462,539	**1,859,455**	1,677,970
Other income	**93,211**	105,141	**48,072**	54,292	**45,139**	50,849
Selling and distribution costs	**(2,608,162)**	(2,525,908)	**(1,268,081)**	(1,225,025)	**(1,340,081)**	(1,300,883)
Administrative expenses	**(315,474)**	(307,067)	**(150,165)**	(156,839)	**(165,309)**	(150,228)
Other gains/(losses) – net	**5,392**	(1,453)	**1,753**	(171)	**3,639**	(1,282)
Operating profit	**548,833**	411,222	**145,990**	134,796	**402,843**	276,426
Finance income	**11,778**	9,980	**4,978**	5,211	**6,800**	4,769
Profit before income tax	**560,611**	421,202	**150,968**	140,007	**409,643**	281,195
Income tax expense	**(95,368)**	(78,693)	**(27,988)**	(32,288)	**(67,380)**	(46,405)
Profit for the year from continuing operations	**465,243**	342,509	**122,980**	107,719	**342,263**	234,790
Loss for the year from discontinued operation	**(25,123)**	(15,804)	**(13,043)**	(11,735)	**(12,080)**	(4,069)
Profit for the year attributable to owners of the Company	**440,120**	326,705	**109,937**	95,984	**330,183**	230,721

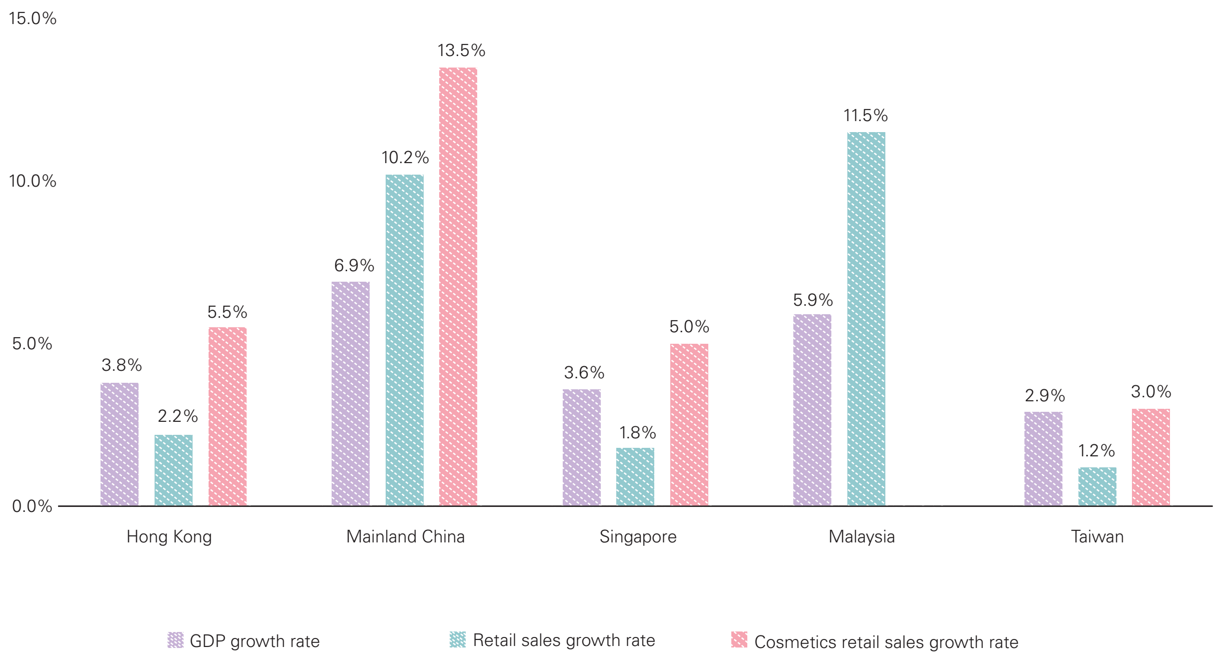
During the financial year, the Group's turnover increased by 6.2% from HK$7,551.1 million to HK$8,017.6 million for the continuing operations. Sales of retail and wholesale in Hong Kong and Macau increased by 7.9% from HK$6,266.5 million in the previous year to HK$6,761.6 million. The Group's retail outlets for the continuing operations increased from 263 last year to 265 as of 31 March 2018, a net increase of three "Sasa" stores and a net decrease of one store for single-brand counter.

Taking into account of the net loss of HK$25.1 million from discontinued operation in Taiwan, the Group's profit for the year was HK$440.1 million, an increase of 34.7% over the HK$326.7 million achieved in the last financial year. Basic earnings per share were 14.6 HK cents as compared to 11.2 HK cents in the previous year. The Board of Directors proposed a final dividend of 11.0 HK cents (2017: 8.0 HK cents) per share, together with a special dividend of 3.0 HK cents per share (2017: Nil) to commemorate the 40th anniversary of the Group, payable in cash with a scrip dividend alternative. Total annual dividend amounted to 17.5 HK cents (2017: 17.0 HK cents) per share.

The Group has been included in the Hang Seng High Dividend Yield Index since June 2015. The Group is a constituent member of the Hang Seng Composite MidCap Index and has been a constituent member of the Hang Seng Corporate Sustainability Benchmark Index for seven consecutive years since 2011. The Group is also an eligible stock for Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

Market Overview

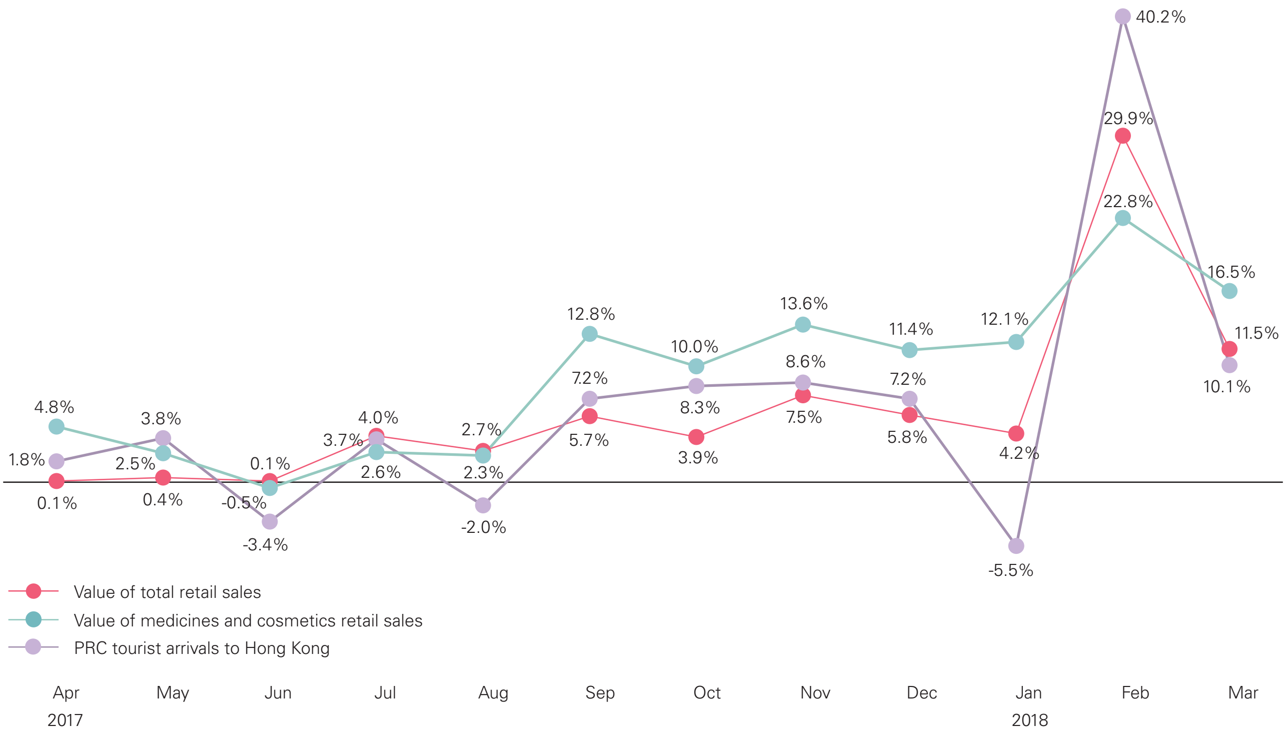
GDP/Retail Sales/Cosmetics Retail Sales Growth in 2017



Notes:

1) There were no cosmetics retail sales statistics provided by the Malaysian Government.
2) All of the above data were sourced from the corresponding governments' statistics bureaus.
3) There are some inconsistencies in definition and survey methodology for cosmetics retail sales by different governments' statistics bureaus.

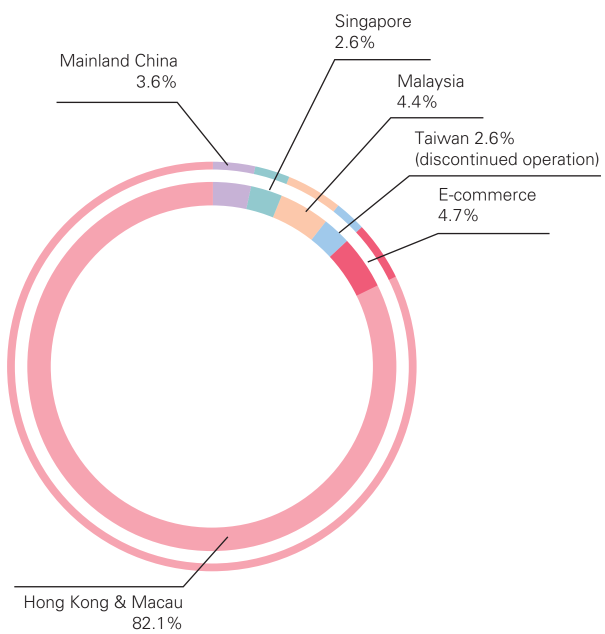
Year-on-Year Change of Retail Sales Performance in Hong Kong and PRC Tourist Arrivals in Hong Kong



Source: Hong Kong Census and Statistics Department & Hong Kong Tourism Board

Retail & Wholesale Business

FY17/18 Turnover Mix by Market



Store Network by Market

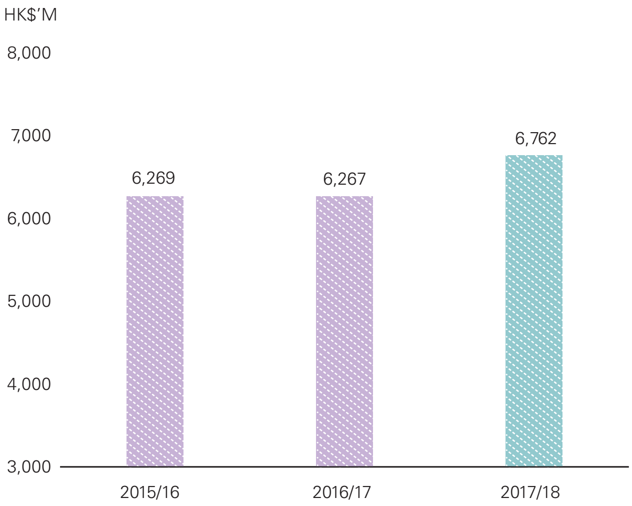
Market (Continuing operations)	As of 31 Mar 2017	Opened	Closed	**As of 31 Mar 2018**
Hong Kong & Macau	116	13	11	**118**
Mainland China	56	10	11	**55**
Singapore	20	1	1	**20**
Malaysia	71	6	5	**72**
Total	263	30	28	**265**

Note:

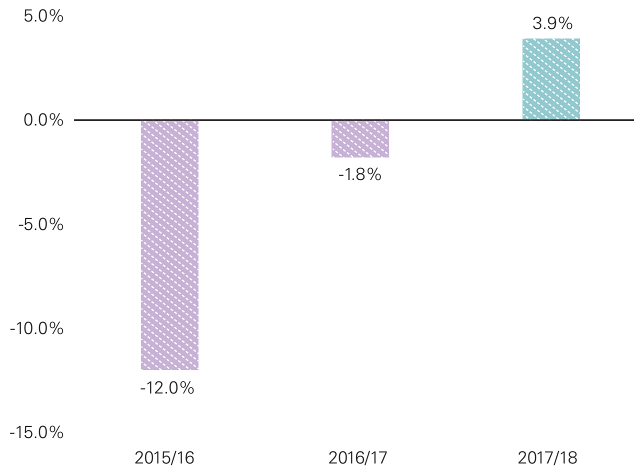
- As at 31 March 2018, the Group operated a total of 265 retail outlets for its continuing operations, including one single-brand store/counter in Hong Kong & Macau (LY: one single-brand store/counter in Hong Kong & Macau and one in Malaysia) and 264 "Sasa" multi-brand stores (LY: 261 "Sasa" multi-brand stores).
- 25 retail shops were in operation in Taiwan as of 31 March 2017. All retail shops have been closed.

Hong Kong & Macau

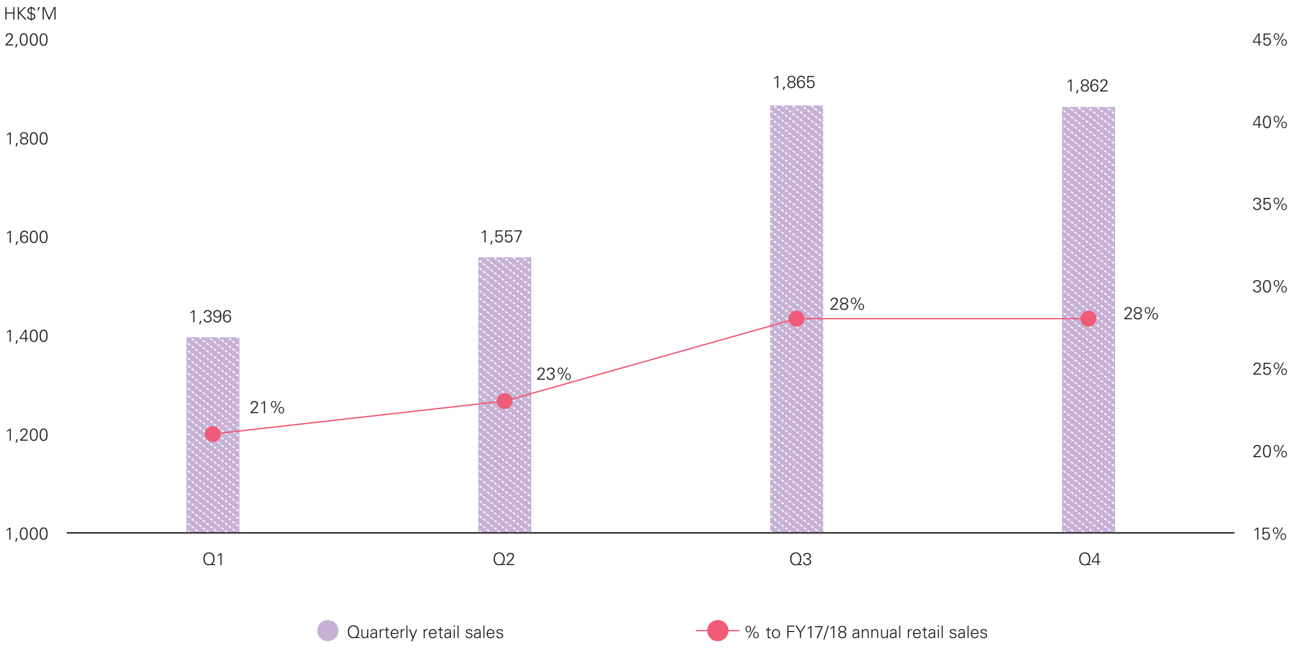
Turnover (Retail & Wholesale)



Same Store Growth



FY17/18 Retail Sales by Quarter



Note: The above data excludes the impact of deferred income adjustment on customer loyalty programme

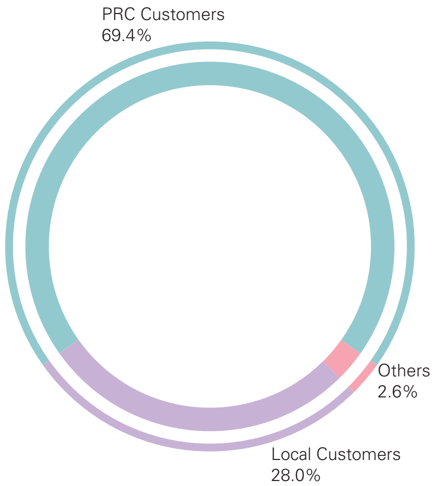
During the year, the Group's turnover in Hong Kong and Macau recorded a growth rate of 7.9%, while same store growth was 3.9%. The Group's performance in the captioned markets showed clear signs of improvement and the momentum gathered pace with retail sales growing by 2.2% in the first half of the financial year, followed by a dynamic increase of 13.0% in the second half, which included the highest growth rate for the year of 18.6% in the fourth quarter.

Several factors contributed to this strong performance in Hong Kong and Macau. In Mainland China, the demand for middle and high-end cosmetic products is soaring on the back of strong retail growth driven by the improved purchasing power of Mainland residents living in the third and fourth-tier cities. This, in combination with a weak US Dollar and the strengthening of the Renminbi, is encouraging outbound travel and greater consumption by Mainland tourists. According to Hong Kong Tourism Board statistics, the number of Mainland China tourists visiting Hong Kong stabilised in 2017 with a year-on-year 3.9% overall growth rate and a higher growth rate of 6.7% for overnight visitors. In September 2017, a 7.2% growth rate for Mainland China tourist arrivals was recorded compared with the same period last year. Since then, the growth rate has been trending higher, with a notable 14.5% increase over Chinese New Year.

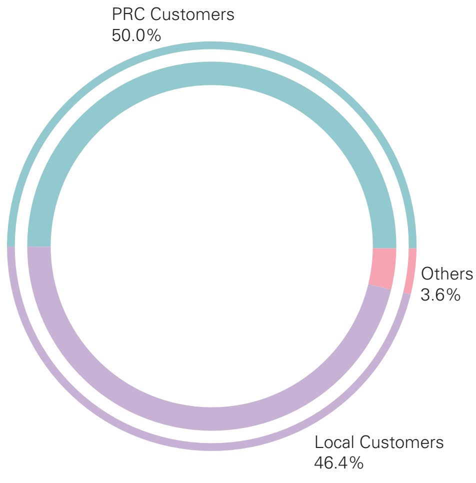
Local consumption grew apace. According to a survey conducted by Mastercard on local consumer confidence in Hong Kong in the second half of 2017, the relevant index increased by 15.2 to 62.1, as compared to 47.0 in the first half of 2017. This performance was the strongest increment in terms of consumer confidence in the APAC region, stimulating the momentum of local consumption. The buoyant local and regional economy together with a satisfactory employment situation benefited property and investment markets, as well as supporting the retail industry overall and boosting the Group's sales growth.

Customer Mix (for FY17/18 Retail Sales in Hong Kong & Macau)

By Sales Value



By No. of Transactions



Number of Transactions and Spending Per Transaction

During the year, the growth rate of the total number of transactions was 3.8%, while the number of transactions by local consumers and Mainland China tourists increased by 3.3% and 4.6% respectively. This performance was achieved on the back of a fall of 1.1% in the first half of the financial year and a resolute climb of 8.5% in the second half. It is also notable that the sales increase in the second half of the financial year mainly resulted from the increased total number of transactions.

The positive growth of 4.1% in spending per transaction in Hong Kong and Macau markets for the full year was based on 3.4% and 4.2% growth for the first and second half, respectively. The improvement was particularly marked in the fourth quarter, with 5.8% growth recorded, based on growth of 5.1% for local consumers and 3.6% for Mainland China tourists, which reflected overall gains in personal purchasing power.

Product Portfolio and Gross Profit

The Group's sales mix of house brand products strengthened in the first half of the financial year, which drove up gross profit margin and allowed us to partly offset cost pressures. The Group's continuing efforts to optimise our product offerings and balance sales growth against gross profit margin led to a marked increase in sales growth in the second half while compromising gross profit margin within an acceptable level. Although the gross profit margin in Hong Kong and Macau recorded a slight drop from 41.6% to 41.2% in the second half year, the gross profit improved satisfactorily by 11.8% on a year to HK$1,558 million.

In terms of product portfolio, the Group successfully expedited new product launches through a flexible and effective sourcing procedure together with a comprehensive product strategy. The Group introduced a wide range of trendy products at different price levels and proactively sourced products from around the globe to enrich the broad spectrum of product mix catering to the market. In particular, the adoption of trendy products and those that have good value and functionality resulted in enhanced product competitiveness. Store displays and product placements are being upgraded to attract customers and improve the shopping experience.

Operations and Cost Controls

The Group relocated its warehouse in the middle of the financial year. Logistical planning and arrangements in relation to the relocation compromised the Group's inventory levels and its response to the strengthening market. However, operational effectiveness and cost management consistently improved thereafter according to plan.

The Group rented four separate warehouses before the relocation, including one backup warehouse to cater for overflow. The Group's entire warehousing operation was relocated from September to October 2017 to a single base: the ATL Logistics Centre. The significant improvement in space utilisation and process management enabled the Group to improve logistical efficiency and manage operating costs. More operational and cost benefits will be gradually realised in the future. One-off operational costs incurred due to the relocation amounted to HK$36.3 million and have been reflected in the full financial year results.

A series of new facilities were integrated into the warehouse, including a very narrow aisle racking system, a conveyor and an independent cargo inspection room. By consolidating the resources of the Group's current warehousing and by strengthening automation, these facilities enable the Group to sort products automatically, speed up the picking process, and improve the efficiency of the entire logistics operation for product distribution.

In line with the Group's effective store strategy, the Group relocated to some new stores at premium locations in tourist districts and away from second line locations. This strategy is aimed at adjusting rents and enhancing brand exposure and sales growth. Overlapping rentals for the full year amounted to HK$41.3 million. However, due to the closure of low-productivity stores, rental reductions gradually took effect, alongside faster sales growth in the second half of the year. The Group's rental-to-sales ratio dropped at a quicker pace from –0.1% in the first half year to –1.6% in the second half year, resulting in an overall –1.0% for the full year.

Information Technology

The Group strengthened the information technology system to enhance overall operational efficiency. Measures taken included improving the Point of Sale ("POS") system to increase process automation, simplifying the workflow and standardising promotions in order to optimise the checkout process. This resulted in reduced checkout times and offered customers an enhanced shopping experience.

The in-store IT infrastructure was upgraded, with initiatives such as enhancing in-store cable and wireless connectivity, in order to streamline operations and offer a better customer experience. The Group also improved in-store stock availability by optimising inventory management with smarter use of sales and inventory data. The Group has re-assessed in-store safety stock levels to enable higher efficiency of auto-replenishment, reducing out-of-stock shortfalls.

Mainland China

During the year, total turnover for the Group's Mainland China operations in local currency increased by 5.0% to HK$298.7 million, while same store sales in local currency terms increased by 5.1%. Thanks to better cost control and increased store contributions, the Group's loss for this market reduced to HK$10.2 million.

The Group's sales in Mainland China improved significantly in the second half of the year. An increase in retail sales growth was recorded: from 3.9% in the first half of the financial year, to 6.0% in the second half. Sales for the full year grew by 5.0%.

Such revenue growth was attributable to the stablisation of the local management team, which enhanced operational effectiveness and functionality. The Group closed non-performing stores in isolated locations, while opening new stores in key city clusters within close proximity. The Group also improved the product portfolio in Mainland China and enhanced the marketing strategy, aiming to attract more customers to drive sales growth.

By focusing on optimising logistics and warehouse operations and adopting new operating measures, the lead time for importation from Hong Kong to PRC was shortened year-on-year by almost 50%. This in turn has allowed us to reduce inventory, improve warehouse operations, and enhance operational efficiency. A year-on-year decrease of 35% in terms of logistics costs was recorded.

E-commerce

Turnover for the Group's e-commerce business amounted to HK$383.3 million (LY: HK$475.2 million).

The Group strategically raised the minimum spend for free shipping from 1 April 2017 onwards. This led to a calculated and temporary decline in sales as compared to the previous period. Meanwhile, the Group has focused on improving warehouse operations, coordination and distribution channels. Through the successful introduction of the cross-border e-commerce B2C direct mailing services, the Group improved shipment lead times from Hong Kong to Mainland China and reduced overall logistics costs as compared to the previous financial year. The Group commenced working with a new third party warehouse service provider in January 2018, which has significantly improved order processing lead times and handling costs. Due to the improved order fulfilment time, customer satisfaction has strengthened along with the Group's market competitiveness.

From Chinese New Year onwards, the Group began to merge the online team of the Category Management and Product Development function with that of the main team running Hong Kong and Macau physical stores. This initiative is aimed at lowering the Group's costs, enhancing communication and strengthening overall effectiveness.

In late 2017, the Group launched a brand new mobile app. Through optimising its stability and functions, online ordering was enhanced. These improvements also benefitted internal functions such as operations, and sales and marketing, while enhancing the overall customer shopping experience.

During the year, the Group continued to collaborate with renowned e-commerce platforms in Mainland China and to explore new potential channels and partners, thereby expanding the customer base, promoting the Group's brand name and driving sales. In the second quarter, the Group opened an online flagship store on Tmall Global to gain more exposure, which marked a significant milestone in the Group's digital strategy. The Group also partnered with Jingdong Group to launch a large-scale online shopping festival "JingShaJie" (京莎節) in the fourth quarter. This allowed the Group to further build a robust platform in Mainland China through cross border e-commerce.

Singapore

Turnover for the Singapore market during the financial year was HK$211.5 million, an increase of 1.9% in local currency terms, while same store sales grew by 8.7% in local currency terms.

Sales growth was negative in the first quarter because of three store closures near the end of the previous financial year. However, stronger growth in same store sales finally turned total sales growth positive in the second quarter, an improvement that continued into the second half, delivering overall sales growth for the full year.

The Group's Singapore management team stabilised, improving operational strategy and execution, which in turn enhanced sales. The closure of underperforming stores and the consolidation of the existing store network helped improve store contribution. Cost control efforts contributed to an overall reduction in losses.

During the year, the Group offered a diversified product portfolio and implemented an effective marketing strategy. The enhancement of staff's selling skills helped attract more customers to support sales growth.

Malaysia

The Group's turnover in Malaysia was HK$362.5 million, an increase of 6.1% in local currency terms, while same store sales decreased 1.2% in local currency.

The more traditional brick and motor retail industry in Malaysia has been affected by the rapid development of digital media and e-commerce. In addition, many new shopping malls have opened, diluting the traffic to the Group's existing stores, especially in the capital Kuala Lumpur, and indirectly affecting stores' turnover. The Group's turnover growth declined from 9.2% in the first half to 3.4% in the second half. The Group's same store sales performance was weak and recorded an overall 1.2% decline for the year.

Nevertheless, supported by a robust retail network and effective marketing campaigns, the Group's sales performance in Malaysia remained steady, with sales growth for the full year reaching 6.1%. In light of market changes and keen competition in the industry, the Group focused on continuous improvement with a readiness to capitalise on market trends and opportunities.

Taiwan

Turnover in the Group's Taiwan business during the financial year increased to HK$213.2 million, representing growth of 1.7% in local currency terms, while same store sales increased by 14.3% in local currency.

The Group's performance in Taiwan has recorded losses for six consecutive years and has been persistently weak. Over the period, the Group has taken measures to reorganise the management team to enhance operational efficiency and reduce costs, with the aim of narrowing losses. However, the results have remained unsatisfactory. In February 2018, after careful consideration, the Group announced the closure of all shops in Taiwan, believing this measure will help improve the Group's overall business performance and resource utilisation. The Group aims to rationalise resources to gear up for significant opportunities in the remaining markets. This decision underlines the Group's determination to strive for better returns for shareholders.

The closure of all shops in Taiwan resulted in a one-off closure loss of HK$16.9 million for the year.

Brand Management

During the year, the Group's sale mix of own-label and exclusively distributed products, collectively referred to as House Brands, increased from 38.0% to 39.2%.

The Group strategically promoted own brand products and repositioned some of the other brands' products to meet market demand. Product gaps were filled according to function and price points and new product launches were accelerated. Product life cycle management was improved and low productivity SKUs were eliminated. These efforts will allow the Group to better cater to customers' preferences and to capitalise on the strong purchasing power of the current consumer market.

In Hong Kong, the Group made ongoing efforts to optimise product offerings by introducing high volume trendy products to draw traffic while also launching House Brand products to enhance gross profit margin. In the first half of the year, the Group launched more House Brand products and recorded a satisfactory year-on-year increment in gross profit margin. Towards the end of the second half, the Group launched various high volume trendy products to successfully drive growth. The balancing of sales growth against gross profit margin has led to an increase in sales while compromising gross profit margin within an acceptable level. Gross profit dollar improved satisfactorily.

Outlook and Strategies

Hong Kong and Macau

The Hong Kong and Macau markets are the Group's major source of sales income and profits. It is therefore gratifying that the Hong Kong and Macau retail market is showing such clear signs of recovery. The reasons for this recovery are various. The satisfactory economic environment, high employment rate, stable property and stock market, and bullish local consumer sentiment are all driving robust growth.

In addition, the improvement in the consumer sentiment of the third and fourth-tier cities of China and the appreciation of the Renminbi are driving outbound travel and consumption, resulting in a higher number of Mainland tourist arrivals in both Hong Kong and Macau.

According to the Statistical Communique on the National Economic and Social Development of the People's Republic of China 2017 published by the National Bureau of Statistics of the People's Republic of China, the number of China's outbound visitors totalled 142.7 million in 2017, a rise of 5.6 percent, of which 46.7% travelled to Hong Kong and Macau.

The Hong Kong Tourism Board reports that total visitor arrivals in Hong Kong reached 58.5 million in 2017, representing approximately 3.2% growth as compared to the previous year. According to the Macau Government Tourism Office, total visitor arrivals in Macau reached 32.6 million, representing 5.4% growth on a year-on-year basis. Arrivals attributable to Mainland visitors in Hong Kong and Macau were 44.4 million and 22.2 million, representing growth of 3.9% and 8.5% respectively. Research gathered by WeChat's National Day Holiday Data Report reveals that Hong Kong ranks first among the most popular travel destinations for Mainland travellers.

Development Projects and Policies

In recent years, the Chinese government has launched a number of projects and policies for promoting economic development and facilitating traffic in the Hong Kong, Macau and Pearl River Delta in Mainland China ("GPRD"). These measures are steadily unleashing the potential of the three regions and expanding the scale of the retail market.

As part of the overall GPRD scheme, the Hong Kong-Zhuhai-Macau Bridge and Guangzhou-Shenzhen-Hong Kong Express Rail Link are scheduled to complete in the second and third quarter of 2018 respectively. These upgraded transport links will further enhance the global competitiveness of Hong Kong and Macau in terms of economic and urban development.

The Greater Bay Area economic zone encompasses the major airports and ports in the GPRD, which is one of the most economically dynamic and densely populated conurbations in China. According to a forecast by the China Center for International Economic Exchanges, the gross domestic production (GDP) of the Greater Bay Area will surpass that of the Tokyo Bay Area by 2020. By 2030, the GDP of the Greater Bay Area is forecast to reach 4,620 billion US dollars. This means the GPRD will exceed the Tokyo Bay Area and the New York Bay Area to become the Bay Area with the highest GDP in the world. As the international financial centre of the Greater Bay Area, Hong Kong with its optimised transport links will benefit the most from the greater flow of people to and from the Mainland, supporting both the city's economic development and the local retail market.

The Group is optimistic about the opportunities offered by the above projects in the Hong Kong and Macau tourism and retail market, particularly since the measures are being rolled out in different stages to capitalise on new opportunities as they unfold. The Group's strategy focuses on providing personalised services and convenience to a broad range of customers to increase customer loyalty and consumption.

The Group will continue to optimise the store network and retail space, by establishing more strategic locations to improve brand exposure and stimulate sales. It will increase the number of shops in residential areas and transport hubs to expand the store network, thereby offering greater accessibility to customers and growing local market share. The Group will also locate more shops near the Mainland China border to capture incoming tourist business.

A larger store size allows us to handle greater traffic, and potentially, more transactions. To cope with the expected growth in store traffic, the Group will increase the size of some stores to handle more volume, and to improve customer service and the customer experience. At the same time, the Group aims to upgrade its backend system and POS with more automation to reduce human error and costs, thereby shortening the transaction process and reducing queuing times at checkout. Store operational efficiency will also be enhanced by increasing stores' capability to handle more transactions at any one time and by providing timely operational data for better store management. These measures will allow the Group to optimise the customer experience and avoid the potential loss of sales.

Further ground-breaking innovations include a more comfortable in-store shopping environment, the launch of enticing new products, enhanced product displays, and a proposed in-store Internet Of Things (IOT) – an interactive customer experience to deepen enjoyment of product browsing and the product trial process. It is believed that these measures will enhance the overall shopping experience and generate a greater desire to purchase.

Digital Innovation and Automation

The Group will continue to improve the mobile app and integrate VIP databases to help better understand customer needs, as well as to provide a seamless online to offline shopping experience. This integration will greatly strengthen the Group's customer relationship management. By conducting big data analysis on customer behaviour, the Group can provide customised product recommendations and targeted promotions.

The Group will improve the mobile app to attract more downloading and usage, while also focusing on targeted marketing and more interactions with customers to increase customer loyalty, purchasing rate and consumption. In addition, the Group aims to enrich the customer database, increase interaction, and gain better understanding of customers to support Sa Sa's evolution towards the "New Retail" world of the future.

Other new initiatives include the launch of new products with high growth potential to meet customer demand and preferences. The Group will launch more House Brands in accordance with the latest market trends and drive House Brand sales, which will support gross margin.

As part of the Group's drive to continuously improve inventory management, the development of the new warehouse will continue in the financial year 2018/19. Enhancements include greater storage, more parking spaces and increased daily goods' handling capacity.

Mainland China

According to the National Bureau of Statistics of the People's Republic of China, the upturn in domestic demand is driven by a gradual increase in residents' income, higher employment status, improving consumer sentiment, and the increasing popularity of online shopping. Although the rapidly growing online retail market has brought pressure to bear on physical retail stores, it is also offering considerable opportunities. The emergence of the "New Retail" concept enhances the online exposure of merchants, boosting both online and offline consumption, accelerates domestic demand, and assists the recovery of brick-and-mortar retail business. The domestic consumer goods market in China is therefore expected to enjoy sustained rapid growth. In addition, a wider choice of store locations with lower rents offers favourable conditions for the Group's expanding store network. The Group will seize this opportunity not only to expand the store network but also to leverage the advantages of physical stores' presence by adding new elements of technology to capitalise on their potential.

The Group will continue to expand cautiously in regions with high operational effectiveness in order to build critical mass in existing operational clusters in well-managed provincial capitals. At the same time, the Group will close underperforming stores in remote cities. This will enable the Group to devote resources to increase scale in selected cities, improve operational efficiency and profitability at store level, and raise the profitability of each city cluster.

The Guangdong-Hong Kong-Macau Greater Bay Area is one of the Group's key development regions. Amongst the nine mainland cities in the Bay Area, the Group operated a total of 13 shops in seven cities including Dongguan, Foshan and Guangzhou as at 31 March 2018. In the next financial year, the Group plans to open approximately four new stores in the cities within the Greater Bay Area, that have been initially confirmed in Dongguan, Zhuhai and Jiangmen, striving to seize the opportunities in the Greater Bay Area.

The Group will roll out a new store image by introducing new-style display walls and by providing free electronic skin tests to customers. Not only will this provide a better shopping experience, but it will also attract more traffic to the stores, especially younger customers. The Group will closely monitor market trends and adjust the product portfolio accordingly.

In order to increase the efficiency of warehouse operations, the Group will shorten the delivery lead time from domestic warehouses to shops, accelerating new product arrivals and stock replenishment at stores. These measures will reduce inventory levels and overall logistics costs.

E-commerce

The Group will launch a new "e-commerce system" to provide a strong and flexible foundation to support current and future development. The new system will improve internal daily operations and overall efficiency, optimise logistics flow, reduce operating costs, and speed up product launches.

The Group will continue to make concerted efforts to adopt the latest available technology. In order to further understand customers and to coordinate data-driven precision marketing strategies, the Group will implement a new "Customer Relationship Management Project" to integrate online and offline customers' big data via the Salesforce SaaS Solution. The Group will adopt the "Big Data BI/AI Data Analysis System" to strengthen data analytic ability, and to gain a clearer understanding of customers with appropriate targeting. The Group will also continue to optimise the backend infrastructure of the mobile app, strengthening interaction with customers and improving the customer experience.

The Group will further explore opportunities for collaboration with other well-known third-party e-commerce platforms. The overall aim is to tap these platforms' customer pool, and to launch a wide range of promotion activities to acquire new customers and increase exposure for the Group at an acceptable cost.

The Group will further optimise the operation of the Free Trade Zone Warehouse in the Mainland China to reduce logistics costs, enhance profitability and improve inventory management. The Group will upgrade the operations of the Hong Kong warehouse to increase the output efficiency and fulfilment of goods via Cross-Border e-commerce B2C direct mailing services. The Group will also streamline the inventory flow to reduce inventory and logistics costs, reduce the number of SKUs, particularly those that are underperforming, and reduce stock turnover days. In addition, a brand new OMS system will be gradually introduced in the financial year 2018/19 to enhance efficiency and the transparency of inventory flow, thereby affording greater flexibility in the shipping process.

New Retail Concept Strategies

The development of New Retail has become a major new trend and is set to create growing business opportunities. In line with this, the Group aims to understand customers better and to interact more closely with them to improve service and sales.

By integrating the customer data of Hong Kong, Macau and Mainland China physical stores with Sasa.com, the Group's vision is to develop a deeper understanding of customers' shopping patterns and to utilise both online and offline resources to promote corresponding cross-platform promotions. The Group will leverage the outstanding reputation of physical stores to promote online business. It will also fully utilise social media and online payment platforms to develop business by improving brand influence, increasing exposure and widening the customer base.

The big data gathered by the Group will be employed in analysis and customer service. This will enable the Group to attract new customers and to retain existing customers to promote and boost sales growth. The Group will encourage customers to shop anytime and anywhere at multiple touch points – online and offline – without geographical and time constraints. It will then analyse customer preferences and needs in order to recommend corresponding products and to provide personalised services.

The Group will enhance customer interaction through understanding of customer offline and online purchasing behaviour. This will enable the Group to service Mainland customers who have visited Sa Sa's physical stores in Hong Kong and Macau after they have returned home – either via online services or via a nearby physical store. This after-sales service will reinforce the relationship between the Group and customers while improving overall sales effectiveness.

Singapore

The Ministry of Trade and Industry Singapore expects GDP growth for 2018 to come in slightly above the middle of the forecast range of 2.5% to 3.5%. The Group will continue to localise management teams and implement more incentives to improve staff morale, management effectiveness and the quality of work. As more brands become available in suburban shopping centres, more residents are choosing to shop in the area where they live. To match this trend, the Group will cautiously open stores in suburban centres to expand business.

The Group will also expedite new product launches to meet market trends and optimise the product portfolio, thereby broadening the customer base towards the younger age group. The Group will sharpen visual merchandising, especially in the makeup zone, and optimise store display. This will free up more space for enhancing the shopping experience. The Group is planning to launch a new mobile app, which will allow customers to access product information anywhere and at anytime, enhancing customers' shopping experience and strengthening the local competitiveness of the Group.

Malaysia

In Malaysia, the political climate was uncertain before May's General Election. Subsequent to the election, the new government has rolled out major reform initiatives, including the cancellation of the Goods and Service Tax (GST) on 1 June, as well as the introduction of a new form of consumption tax in the coming months. The above policy changes have aggravated the burden on retailers, with the consumer sentiment of the general public steadily weakening. The Malaysia Retailers Association indicates that the prospects for the retail industry will remain challenging due to disruption by e-commerce. Nevertheless, in expectation of an eventual improvement in consumer sentiment, the Group will establish online elements in Malaysia in order to create synergies with the Group's offline business.

Sa Sa is the biggest beauty specialty store in Malaysia in terms of store numbers and coverage, with sales mainly deriving from domestic Chinese customers. To strengthen this leading position, the Group will continue to develop and penetrate the Malay as well as the Chinese segment of the market. The Group will also adjust the product portfolio and services to meet market conditions and accelerate penetration into different customer groups.

Taiwan

The Group decided on 21 February 2018 to rationalise business by closing all retail shops in Taiwan. The Group will now concentrate resources on Mainland China, Hong Kong, Macau, Singapore and Malaysia markets as well as e-commerce business and own brand development.

Considering the substantial support for own brand products in Taiwan, the Group intends to partner with local retailers to sell House Brand products.

Brand Management

By means of big data analysis, the Group aims to provide personalised products and services to customers through multiple touch points to better fulfil their needs. The Group will therefore strategically adjust the product portfolio on a timely basis, accelerate new product launches, improve management of the product life cycle, and eliminate low productivity SKUs.

The Group will dedicate shelf space to new products and existing products with high productivity. This will help increase overall productivity, reduce product management and storage costs, and free up cash resources, while also reducing the risk of product obsolescence and expiry.

The Group will also fill product opportunity gaps according to function, sales and price point analysis, and upgrade makeup product portfolio and display. Digital media promotion will be strengthened and the reputation of exclusive brands enhanced in Hong Kong and the Mainland. Overall, the Group will continue to build closer partnerships with suppliers, thereby optimising the image and promotion of product offerings.

Human Resources

As at 31 March 2018, the Group had close to 4,800 employees. The Group's staff costs for the year under review were HK$1,183.6 million. Details on our human resources programs, training and development will be set out in the environment, social and governance report and the enterprise risk management report sections of the annual report for the year ended 31 March 2018.

Financial Review

Capital Resources and Liquidity

As at 31 March 2018, the Group's total equity funds amounted to HK$2,482.8 million including reserves of HK$2,179.0 million. The Group continued to maintain a strong financial position with cash and bank balances of HK$1,365.4 million. The Group's working capital amounted to HK$2,042.9 million. Based on the Group's steady cash inflow from operations, coupled with sufficient cash and bank balances and readily available banking facilities, the Group has adequate liquidity and financial resources to meet the working capital requirements as well as to fund its budgeted expansion plans in the next financial year.

During the year, the majority of the Group's cash and bank balances were in Hong Kong dollar, Malaysian Ringgit, Renminbi, Singapore dollar, Swiss Franc and US dollar and deposited in reputable financial institutions with maturity dates falling within a year. This is in line with the Group's treasury policy to maintain liquidity of its funds and continue to contribute a relatively stable yield to the Group.

Financial Position

Total funds employed (representing total equity) as at 31 March 2018 were HK$2,482.8 million, representing a 11.9% increase over the funds employed of HK$2,219.2 million as at 31 March 2017.

The gearing ratio, defined as the ratio of total borrowings to total equity, was zero as at 31 March 2018 and 31 March 2017.

Treasury Policies

It is the Group's treasury management policy not to engage in any highly leveraged or speculative derivative products. In this respect, the Group continued to adopt a conservative approach to financial risk management with no borrowings during the year. Most of the assets, receipts and payments of the Group are denominated either in Hong Kong dollar, US dollar, Euro or Renminbi. Based on purchase orders placed, the Group enters into forward foreign exchange contracts with reputable financial institutions to hedge against foreign exchange exposure arising from non-Hong Kong dollar or non-US dollar denominated purchases. These hedging policies are regularly reviewed by the Group.

Charge on Group Assets

As at 31 March 2018, no asset of the Group was under charge to any financial institution.

Contingent Liabilities

The Group had no significant contingent liability as at 31 March 2018.

Capital Commitments

As at 31 March 2018, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK$179.4 million.

Conclusion

As Sa Sa's long track record shows, the Group is adept at converting challenges into opportunities and thriving in all economic circumstances. Moving forward into the new digital era, the Group will continue to adapt the overall vision and strategies to the changing patterns in consumer behaviour, preferences and expectations. The Group's core markets of Hong Kong and Macau are improving. Riding on the buoyant development of the Greater Bay Area, the Group is also making progress in Mainland China while strengthening e-commerce competitiveness. It is a hallmark of Sa Sa to make difficult decisions at an appropriate time. In February, the Group decided to close all retail shops in Taiwan in order to refocus energies on other dynamic core markets. This refocusing will enable the Group to catch the wave of the future in new products, new fulfilment channels, and in online and offline big data analytics. Detailed strategy and forward thinking will continue to support the Group's position as a leading provider of beauty products in the Asia-Pacific region. The resourcefulness and flexibility of the Group's loyal staff and the long-term vision of dedicated management team will ensure that Sa Sa continues to deliver sustained growth for many years to come.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

"For all the successes of Sa Sa, I wish to thank the Board of Directors and all Sa Sa colleagues. The Group could never be as accomplished as it is today without their untiring and devoted efforts."

Dr Simon Kwok, SBS, JP
Chairman and Chief Executive Officer

Dr Eleanor Kwok, BBS, JP
Vice-chairman

Executive Directors

Dr KWOK Siu Ming Simon§^, *SBS, JP*
Chairman and Chief Executive Officer

Dr Kwok is the Chief Executive Officer, an executive director of the Company, the Chairman of the Board and the Chairman of both the Executive Committee and the Risk Management Committee of the Company. Dr Kwok together with his wife, Dr KWOK LAW Kwai Chun Eleanor, has overseen Sa Sa's operations since the Group's earliest days and successfully listed the Company on the Stock Exchange in June 1997. Over the past 40 years, Dr Kwok has played a leading role in transforming Sa Sa into a leading market player with a regional network of operations in Asia. Dr Kwok is a member of the Electoral Conference for the election of Hong Kong Deputies to the Thirteenth National People's Congress of PRC, a member of the Executive Committee and Central Committee of the Liberal Party, a member of the Election Committee in the Wholesale and Retail subsector, the Honorable Life President and Councilor of the Cosmetic & Perfumery Association of Hong Kong, the Honorary Founding President of the Professional Validation Centre of Hong Kong Business Sector, the Honorary Life President of the Hong Kong Brands Protection Alliance, and the Adviser of Quality Tourism Services Association (Dec 2017-Dec 2018). Dr Kwok was also a committee member of the Chinese People's Political Consultative Conference of Hubei Province (2008-2017), Chairman of Quality Tourism Services Association (Dec 2013-Dec 2017) and the Honorary President of the Immigration Service Officers Association. He is also an elected member of the Board of Trustees of New Asia College, The Chinese University of Hong Kong.

Dr Kwok was awarded "Best IR by Chairman/CEO" (small-cap category) from Hong Kong Investor Relations Association for three consecutive years from 2016 to 2018 and was selected for the "CAPITAL Leaders of Excellence 2014" by CAPITAL Magazine in 2015. In 2014, he received the "Global Outstanding Chinese Award" from the "Global Outstanding Chinese Association" and was selected for the "Who's Who Leadership Award Scheme" by the Asian College of Knowledge Management. In 2012, he received the "China Cosmetic Retail Industry Special Contribution Award" from the Circulation Industry Promotion Centre of Chinese Ministry of Commerce and the China Beauty Expo Organising Committee. Dr Kwok was an awardee in The Directors of the Year Awards 2011 in the listed companies (SEHK – Non Hang Seng Index Constituents) category organised by the Hong Kong Institute of Directors, a winner of the "Owner-Operator Award" at the DHL/SCMP Hong Kong Business Awards 2007 and a winner in the Retail Category in the "Ernst & Young Entrepreneur of the Year Awards China 2006". Dr Kwok was elected University Fellow by The Hong Kong Polytechnic University in 2012, he received the degree of Doctor of Business Administration honoris causa from the Open University of Hong Kong in 2011, and an honoris causa doctorate degree in Business Administration from Lingnan University in 2008.

Dr Kwok is an active participant in the work of charities. He is the Second Vice-President (2011-14 and 2016-18) of the Community Chest of Hong Kong as well as Campaign Committee Chairman (2011-14 and 2016-18), a member of the Board of Directors (2009-15 and 2016-18), and was the First Vice-President (2014-15) and the Executive Committee Chairman (2014-15). Dr Kwok is also an Honorary President of New Territories Region of Scout Association of Hong Kong (2016-18), a Committee Member of Heifer International (since 2009), a Board Member of Concerted Efforts Resource Centre (since 2009), Vice-Chairman of the Second & Third Board of Hongkong Kowloon Charitable Foundation Association Limited (2014-19), an Executive Board Member of the Hong Kong AIDS Foundation (since 2006), and an Honorary Advisor and member (since 2006) and the Co-Chairman for the Organizing Committee (2006 & 2009) of The Hong Kong Committee for the China AIDS Initiative. He was also an Honorary Advisor of Hong Kong Youth and Professional Network (2015-17).

Dr Kwok is a director and shareholder of Sunrise Height Incorporated and Green Ravine Limited, the respective controlling and substantial shareholders of the Company. Both Dr Simon Kwok and Dr Eleanor Kwok have a 50% shareholdings in each of the two companies, in addition, Dr Kwok is a director of certain subsidiaries of the Group. Details of his interest in the shares and underlying shares in the Company are set out in the "Report of the Directors". Save as aforesaid, Dr Simon Kwok does not hold any directorship in other listed companies in the past three years.

Dr Kwok is the brother-in-law of Mr LAW Kin Ming Peter, Senior Vice President of Category Management and Product Development of the Company, and Mr YUNG Leung Wai Tony, Senior Vice President of eCommerce of the Company. He is 65 years old.

* Member of the audit committee § Member of the executive committee
Δ Member of the remuneration committee ^ Member of the risk management committee
Member of the nomination committee

Dr KWOK LAW Kwai Chun Eleanor[Δ#§^], *BBS, JP*

Vice-chairman

One of the founders of the Group, an executive director of the Company and the Vice-chairman of the Board. She is a member of the Executive Committee, Remuneration Committee, Nomination Committee and Risk Management Committee of the Company. Dr Kwok has more than 40 years of experience in the sales and marketing of beauty products. With extensive professional knowledge and many years of experience in cosmetics retailing, she pioneered the unique operational concept of open-shelf display of beauty products, making shopping a more enjoyable experience. Dr Kwok plays a leading role in the marketing, operations, human resources and staff training functions of the Group.

Dr Kwok was honoured the "Excellent Businesswomen" of the year by Hong Kong Commercial Daily, the "Asian Outstanding Leaders Awards for Women" by Asian College of Knowledge Management and the"Asian Social Caring Leadership Award" by Social Enterprise Research Institute in 2017. She received "Most Successful Women Awards"by JESSICA Magazine in 2016. She was named "2013 Entrepreneur of the Year" in the Asia Pacific Entrepreneurship Awards 2013 Hong Kong by Enterprise Asia and received "The Excellent Award in Hong Kong Beauty Industry 2012/13" from the International CICA Association of Esthetic-CIDESCO Section China in 2012. Dr Kwok won the "Outstanding Women Entrepreneurs" award of the Hong Kong Women Professionals & Entrepreneurs Association in 2008, and received the "World Outstanding Chinese" award from the World Outstanding Chinese Association and World Chinese Business Investment Foundation. She was conferred an Honorary Doctorate of Management by Morrison University, USA, and an Honorary Fellowship by the Professional Validation Centre of Hong Kong Business Sector.

Dr Kwok is actively involved in chamber of commerce and charity activities. She is currently the Honorable President of the Cosmetic & Perfumery Association of Hong Kong, President of Sa Sa Making Life Beautiful Charity Fund (since 2013), the Vice-President of the Hong Kong Girl Guides Association (since 2012), Senator of the Hong Kong Federation of Women (2015-19), the Honorary President of the Hong Kong Federation of Women (since 2005), Committee Member of Hong Kong Federation of Women Entrepreneurs Committee (since 2004), Major Sports Events Committee (since 2015) and a patron of Caritas Fund Raising Campaign (since 2006). Dr Kwok was also the Adviser (April 2017-March 2018), Chairman (April 2016-March 2017), the Vice-chairman (April 2012-March 2016) of Po Leung Kuk, Director of Po Leung Kuk (2006-12), one of the Originators of "Making life Beautiful" Beauty Ambassador Training Programme of Po Leung Kuk together with Sa Sa (2008 and 2009). She was also the Vice-President of New Territories Region of Scout Association of Hong Kong (2016-2017).

She is a director and shareholder of Sunrise Height Incorporated and Green Ravine Limited, the respective controlling and substantial shareholders of the Company. Both Dr Eleanor Kwok and Dr Simon Kwok have a 50% shareholdings in each of the two companies. Details of her interest in the shares and underlying shares in the Company are set out in the "Report of the Directors". Dr Kwok is a director of certain subsidiaries of the Group. Save as aforesaid, Dr Eleanor Kwok does not hold any directorship in other listed companies in the past three years.

Dr Kwok is the wife of Dr KWOK Siu Ming Simon, and the sister of Mr LAW Kin Ming Peter, Senior Vice President of Category Management and Product Development of the Company. She is 64 years old.

Dr LOOK Guy§^

Chief Financial Officer and Executive Director

Dr Look is the Chief Financial Officer and executive director of the Company, and a director of certain subsidiaries of the Group. Dr Look has over 35 years of experience in local and overseas financial and general management. Prior to joining Sa Sa in March 2002, he was the Chief Financial Officer and an executive director of Tom.com Limited (renamed TOM Group Ltd.). He holds a Bachelor's degree in Commerce and received a degree of Doctor of the University honoris causa from the University of Birmingham, England. Dr Look is an associate member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Dr Look is a member of the Executive Committee and the Membership Sub-Committee (formerly known as Membership and Fundraisings Sub-committee) and the Chairman of the e-Commerce Sub-Committee of the Hong Kong Retail Management Association, a member of the Energy Advisory Committee of the Government of the HKSAR, a member of the CNBC Global CFO Council, a member of the Financial Reporting Review Panel and a fellow member and a member of the Advisory Board of the Hong Kong Investor Relations Association.

Dr Look is a cousin of Ms. LEE Yun Chun Marie-Christine. Details of his interest in the shares and underlying shares in the Company are set out in the "Report of the Directors". Dr Look was an independent non-executive director of Café de Coral Holdings Limited, a company listed in Hong Kong, until his retirement on 11 September 2012. Dr Look does not hold any other directorship in other listed companies in the past three years. He is 61 years old.

Non-executive Director

Ms LEE Yun Chun Marie-Christine

Appointed as a non-executive director of the Company on 26 February 2013. Ms Lee has a proven leadership position in retailing, branding and marketing, with more than 17 years of experience. Ms Lee was an ambassador of Harry Winston (Hong Kong) Limited, focusing on sales, branding and marketing, and successfully launched its debut shop in Hong Kong, from 2009 to 2016. Harry Winston is a world famous jeweller specialising in luxurious jewellery and jewellery watches. She is currently the director of Or-Tea, an international premium specialty tea brand created in Hong Kong and produced in Germany. Ms Lee is a founder of Sport Max HK Co Limited and Hope Sport Association, providing the highest standard of qualified and professional coaching in sports. She is also an advisory board member of Phoenix Property Investors (H.K.) Limited, a private equity real estate investment group focusing on first tier pan-Asian markets.

Previously, Ms Lee was a product manager of Shiatos Limited, an agent managing and distributing various prestigious European and international brands in Hong Kong, like Hermes, Van Cleef & Arpels, Lalique, Baccarat, Bernardaud, Christofle, etc. She was responsible for retailing and marketing, and successfully launched world famous high fashions in Hong Kong. She also worked for Citicorp International/Citibank NA as an investment advisor manager for high net worth individuals, and marketed loans for multinational corporations.

Ms Lee is committed to community work. She is a lifetime founding benefactor of The Nature Conservancy, USA, and is a founder of a non-profit charitable organisation, Sports for Hope Foundation, providing funding to highly-talented young underprivileged athletes who lack financial means to further their passion. Ms Lee obtained a Bachelor of Science in Biochemistry and Nutritional Sciences from Simmons College, Boston, United States and was conferred an Honorary Fellowship by King's College, London for the cancer research programme at the Guy's Hospital. She is a cousin of Dr LOOK Guy, the Chief Financial Officer and Executive Director of the Company, and a daughter of Mrs LEE LOOK Ngan Kwan Christina, a non-executive director of the Company who retired in August 2012. She is 58 years old.

Independent Non-executive Director

Ms TAM Wai Chu Maria*Δ#, *GBM, GBS, JP*

Appointed as an independent non-executive director of the Company in June 2004 and is the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee of the Company. Ms TAM is currently an independent non-executive director of Nine Dragons Paper (Holdings) Limited, Sinopec Kantons Holdings Limited, Wing On Company International Limited, Macau Legend Development Limited and China Shenhua Energy Company Limited, all the shares of which are listed on the Stock Exchange. Ms Tam resigned as an independent non-executive director of Guangnan (Holdings) Limited, which is listed on the Stock Exchange, on 1 November 2017. She also resigned as an independent non-executive director of Minmetals Land Limited and Tong Ren Tang Technologies Company Ltd on 1 April 2018 and 12 June 2018 respectively, all the shares of which are listed on the Stock Exchange. Ms TAM was educated at London University. She qualified as a barrister-at-law at Gray's Inn, London, and practised in Hong Kong. She was a member of the Preparatory Committee for the Hong Kong Special Administrative Region (PRC), Hong Kong Affairs Advisor (PRC) and a deputy to the National People's Congress of The People's Republic of China. She is the Deputy Director of the Hong Kong Basic Law Committee under the Standing Committee of the National People's Congress. She was the Chairman of the Operations Review Committee, the ex-officio member of the Advisory Committee on Corruption and a member of the Panel of the Witness Protection Review Board of the Independent Commission Against Corruption (effective from January 2015 to December 2017). She is also a member of various community services organisations. She is 72 years old.

Ms KI Man Fung Leonie*Δ#, *GBS, SBS, JP*

Appointed as an independent non-executive director of the Company in December 2006. She is a Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Ms Ki is an non-executive director of New World Development Company Limited and an independent non-executive director of Clear Media Limited. Ms Ki has more than 40 years of experience in integrated communication and marketing services. She was the founder, partner and Chairman/Chief Executive Officer of Grey Hong Kong Advertising Limited and Grey China Advertising Limited. Ms Ki is committed to community and public services. She was the first Chief Executive of The Better Hong Kong Foundation. She is currently a Director of PMQ Management Company Limited, Founder and Honorable President of Wu Zhi Qiao Charitable Foundation, a member of the Asian Advisory Board of Cheng Yu Tung Management Institute, Richard Ivey School of Business (University of Western Ontario, Canada), vice chairman of the Committee of Overseers of Morningside College at The Chinese University of Hong Kong, a member of the Advisory Board of the EMBA Programme of The Chinese University of Hong Kong, a member of the executive committee of Youth Outreach, vice-chairman, council of the Musicus Society, a council member of The University of Hong Kong and a member of Hong Kong Institute of Construction Management Board. Ms. Ki is a recipient of Honorary University Fellowship from The Open University of Hong Kong and The University of Hong Kong. She has been awarded the honour of Beta Gamma Sigma by the Faculty of Business Administration of The Chinese University of Hong Kong, and Justice of the Peace, Silver Bauhinia Star & Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region. She also has been appointed as Member of 12th Chinese People's Political Consultative Conference (CPPCC) National Committee in 2013 and Member of 10th, 11th & 12th CPPCC Yunnan Provincial Committee. She is 71 years old.

Mr TAN Wee Seng*

Appointed as a non-executive director of the Company on 11 March 2010 and was re-designated from a non-executive director to an independent non-executive director on 26 June 2012. Mr Tan was appointed as the Chairman of Audit committee of the Company on 1 January 2017. Mr Tan is a professional in value and business management consultancy. He is an independent director and Chairman of Audit Committee of ReneSola Ltd whose shares are listed on the New York Stock Exchange, an independent non-executive director and Chairman of Audit Committee of Xtep International Holdings Limited, an independent non-executive director and Chairman of Remuneration Committee of Health and Happiness (H&H) International Holdings Limited and an independent non-executive director and Chairman of the Audit Committee of Sinopharm Group Co. Ltd. and CIFI Holdings (Group) Co. Ltd., all the shares of which are listed on the Main Board of the Stock Exchange. Mr Tan was appointed as an independent non-executive director, Chairman of Audit Committee and Remuneration Committee of Shineroad International Holdings Limited with effect from 27 June 2018. He is also a board member and Chairman of the Finance and Operation Committee of Beijing City International School. Mr Tan was an independent director and Chairman of the Audit Committee of 7 Days Group Holdings Limited whose shares were listed on the New York Stock Exchange between November 2009 and July 2013 until it was privatised. He was the Chairman of the Special Committee for Privatization of 7 Days Group Holdings Limited from October 2012 to July 2013. Mr Tan has 37 years of financial, operation and business strategy as well as management experience and has also held various senior management positions in a number of multinational and Chinese corporations. From 2003 to 2008, he was an executive director, Chief Financial Officer and Company Secretary of Li Ning Company Limited, the shares of which are listed on the Main Board of the Stock Exchange. From 1999 to 2002, he was the Senior Vice President of Reuters for the China, Mongolia and North Korea regions, and the Chief Representative of Reuters in China. Mr Tan is a fellow member of the Chartered Institute of Management Accountants, United Kingdom, and a fellow member of the Hong Kong Institute of Directors. He is 62 years old.

Senior Management

Mr LAW Kin Ming Peter

Senior Vice President, Category Management and Product Development

Joined Sa Sa in January 1996, Mr Law was appointed as Senior Vice President, Category Management and Product Development in January 2008. He has more than 33 years of experience in the field of sales and marketing, 23 of which were in senior management positions. He is also a director of a subsidiary of the Group. Mr Law oversees the Group's category management and product development function. He is also responsible for the Group's acquisition of exclusive distribution rights of international brands and the development of the Group's house brand products. He holds a Bachelor's degree in Arts majoring in Communications Studies from the University of Windsor, Ontario, Canada and pursued a Bachelor's degree in Commerce later. Mr Law is the Honorary Advisor of the Cosmetic & Perfumery Association of Hong Kong. Mr Law is the brother of Dr KWOK LAW Kwai Chun Eleanor and the brother-in-law of Dr KWOK Siu Ming Simon. He is 62 years old.

Mr TSOI Keung Andy

Senior Vice President, Group Financial Controller, Finance and Accounting

Joined Sa Sa in October 2009, Mr Tsoi was promoted to Senior Vice President, Finance and Accounting in April 2016. He has more than 20 years of professional experience in the areas of accounting, financial planning and analysis, treasury and tax planning and senior management. Before joining the Group, he has worked in a Big 4 audit firm and held senior management positions with various renowned multinationals both in the PRC and Hong Kong. Mr Tsoi holds a Bachelor's degree in Business Administration (Graduated with Distinction) from the University of Wisconsin – Madison, USA, and is a fellow member of the Hong Kong Institute of Certified Public Accountants, and overseas member of the Chinese Institute of Certified Public Accountants (CICPA) in the PRC. He is 48 years old.

Mr YUNG Leung Wai Tony

Senior Vice President, e-Commerce

Joined Sa Sa as Senior Vice President e-Commerce in June 2016. Mr Yung oversees the overall management and development of the e-commerce business. He has over 26 years of experiences in consumer finance, private banking, retail marketing, brand management and development of regional business strategies. Before joining the Group, he has worked in various international companies, including American International Group, American Express, American International Assurance Company, Chase Manhattan Bank. Mr Yung holds a Master of Business Administration degree in Marketing from Virginia Polytechnic Institute and State University, Virginia, USA and a Bachelor's degree in Travel Industry Management from Brigham Young University, Hawaii, USA. Mr Yung is the brother-in-law of Dr KWOK Siu Ming Simon. He is 55 years old.

Ms MAK Sum Wun Simmy

Senior Vice President, General Counsel and Company Secretary

Ms Mak was General Counsel and Company Secretary of the Company from September 2009 to September 2012. She re-joined Sa Sa in October 2014 and was promoted to her present position in April 2018. Ms Mak holds a Bachelor of Laws degree from Cardiff University, the United Kingdom, a Master's degree in International Laws from Beijing University, the People's Republic of China, and a Master of Science degree in Finance from The Chinese University of Hong Kong. She was admitted as a solicitor in Hong Kong and in England and Wales in 1993, and was called to the Bar in Hong Kong in 2001. She remained as a barrister in Hong Kong until 2008 when her name was restored to the roll of solicitors in Hong Kong. Ms Mak has over 20 years of experience in legal and company secretarial practices. She is 52 years old.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Eternal Beauty

Our influence today, for a beautiful tomorrow

Our Vision, Making Life Beautiful

Sa Sa has been growing with Hong Kong for over four decades, living and breathing our "Making Life Beautiful" vision. As part of our journey towards a beautiful future, we recognise the value we create for our key stakeholders, namely for our talent, customers, shareholders, suppliers, our environment, and our entire community.

Our 40th anniversary slogan of "Eternal Beauty" can only be realised when we truly learn how beauty is defined for each of our stakeholders. This means carefully focusing our approach on the needs of each one of them. As our organisation grows in an ever-changing world, the challenges we face continue to evolve. These challenges include the degree and type of damage that we potentially inflict on our environment; the livelihood and the future of our talents; changes in the expectations and behaviour of our customers within the New Retail environment; and how our daily operations and other activities impact our community. It has never been more crucial to develop a balanced, well-structured and integrated approach to governing, prioritising and managing stakeholder issues. For this reason we have established a clear governance structure comprising the Environmental Social and Governance (ESG) Team and the ESG Taskforce.

"We must be serious about planning for and delivering key Environmental, Social and Governance agendas.

I believe this is part of Sa Sa's responsibility to the community and planet."

Dr Simon Kwok, *SBS, JP*
Chairman and Chief Executive Officer

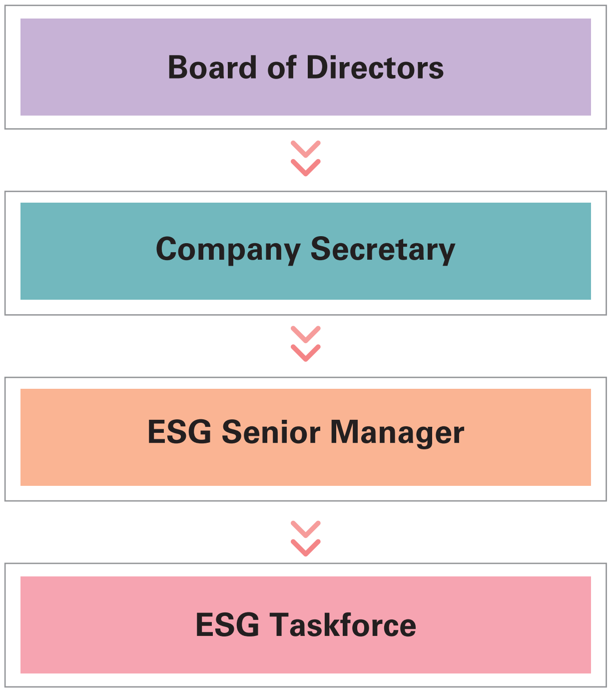
Dr Eleanor Kwok, *BBS, JP*
Vice-chairman

Environmental, Social and Governance Structure

ESG has played a strategic role in the organisation since its inception. The Board of Directors considers ESG principles when making key strategic operational and organisational decisions in regard to all relevant key performance indicators (KPIs).

The responsibility for execution of these decisions is delegated through the Company Secretary to the ESG Senior Manager. It is then the team's role to ensure that the company's ESG vision is delivered.

An ESG Taskforce was set up in 2012 in order to embed ESG principles in each department of the organisation The Taskforce comprises representatives from each major department at manager level or above, co-chaired by the Vice President of Strategy and Development and the ESG Senior Manager.



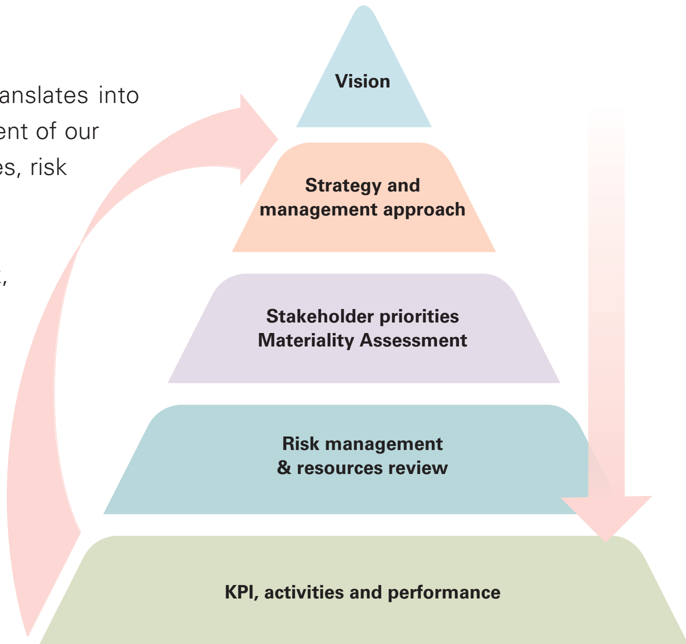
A Framework for Value Creation – Sustaining the Influence

The Framework

The framework of how we create stakeholder value was first reported in our 2015/16 ESG Report *(shared here again on the right)*.

The framework articulates how our vision ultimately translates into organisational performance, through effective development of our strategy and management approach, stakeholder priorities, risk and KPI management.

A feedback loop is designed as part of the framework, since our strategy and priorities as defined by our Materiality Assessment are designed to be updated periodically, to reflect what we have learned in the process and to align with stakeholder changes over time.



* Framework to sustain creation of stakeholders' value

Materiality Assessment Results

The core to assessing our ESG strategy in terms of meeting stakeholders' needs is based on the alignment of our vision with issues that are of significant importance to them. In the Materiality Assessment completed in 2016/17, we classified the top 30% (14 issues) of all issues (46 issues) as "most material" by combining the views of all key stakeholders on what is important to them. In addition, by reviewing the top 10 important issues for each key stakeholder and identifying issues that were not covered under "most material" issues, we have compiled a list of "moderately material" issues. This list consists of eight issues in total. Such process ensures that the strong viewpoints of one key stakeholder will be addressed in our follow-up actions, even if they may not align with the views of other key stakeholders.

For ease of reference in the rest of this report, the most material and moderately material issues are classified as "key issues", around which our activities, reviews and planning are centered.

List of Key Issues

Employment and Labour Practices
(under "To Influence Our Talent" section)

- Staff Benefits, Welfare, Holidays and Working Hours
- Staff Training and Capacity Building
- Performance Review and Promotion
- Employee Engagement and Social Dialogue
- Corporate Governance
- Staff Retention, Turnover and Dismissal
- Equal Opportunity, Non-Discrimination, Staff Diversity and Human Rights
- Occupational Safety, Health and Security

Operating Practices
(under "To Influence Our Customers and Suppliers" section)

- Product Responsibility, Health and Safety
- Quality Customer Service and Management
- Quality Assurance
- Supply Chain Management
- Consumer Data Protection and Privacy
- Legal Compliance in Operation

Community Investment
(under "Our Influence On The Community" section)

- Charity, Community Involvement & Investment

Environmental Protection
(under "Our Influence On The Environment" section)

- Eco-friendly Products and Services
- Waste Management and Recycling of Waste
- Environmental Awareness
- Use of Natural Resources
- Water Resources, Consumption, Discharges and Sustainable Management
- Energy Consumption and Efficiency
- Compliance with Environmental Regulations

Scan the QR code to access the full results from materiality assessment, including materiality matrix

Follow-up from Stakeholder Engagement

Phase 1: Key internal stakeholders engagement	Phase 2: Key external stakeholders engagement	Follow up actions	Phase 3
Completion date	Completion date	Completion date	Tentative Schedule
Management team **March 2016** Staff (1st batch) **March 2016** Board **December 2016** Staff (2nd batch) **March 2017**	Public shareholders **January 2017** Customer **March 2017**	Immediate actions on "Most Material" and "Moderately Material" issues where possible 2018, 2019 Further review priority,associated risk and resources allocation 2018, 2019	Explore opportunity to enhance ESG integration into organisation's long term goals and business plan 2019, 2020

To place the stakeholder engagement process in context, the results of relevant 2017/18 activities and plans for 2018/19 for key issues are discussed in different parts of this ESG Report. Our management is conscious of the need to act on key issues based on risks and resources available in the short term, so that actions can be taken immediately. Our report on 2017/18 activities and 2018/19 plans reflect this urgency. In 2018/19, our Board of Directors will determine medium and long term goals and the necessary resource allocation so that KPIs can be set as part of our long term business plans.

Policies and Management Approaches

To ensure that there is clear communication of Sa Sa's commitment and key management approach to issues that are of central importance to Sa Sa, a series of six policies are in place that provide the governing framework. These include:

Employment Policy
- To create and maintain a positive working environment
- Areas covered include compensation, recruitment, promotion, working hours, rest periods, diversity and equal opportunities, and prevention of forced and child labour

Environmental Policy
- To reduce the potential environmental impact of our operations
- Policy coverage includes carbon management, consumption of raw materials, transport, and product sourcing policy

Environmental, Social and Corporate Governance Policy
- To prescribe Sa Sa's overall commitment and management approach to decisions that impact our stakeholders in a material manner

Health and Safety Policy
- To provide and maintain a safe and healthy work environment
- To prevent workplace accidents
- To provide adequate and relevant guidelines and training to our talents

Responsible Product and Supply Chain Policy
- To continuously improve the quality of our products and customer experience
- To create sustainable, supportive relationships with our suppliers
- Policy coverage includes product safety, quality, complaint management, responsible marketing, protection of customer privacy, and supplier performance relating to sustainability

Training and People Development Policy
- To provide relevant training opportunities to our talents so that they can adapt to the changing needs of our customers as their customer journeys evolve
- To inspire our human capital to deliver excellence

Scan the QR code to download policy in pdf

Some of the issues such as 'Corporate Governance', 'Legal Compliance in Operation', and 'Consumer Data Protection' are covered in the Corporate Governance Report.

To Influence Our Talents:

Believe in the beauty of their future

Sa Sa recognises the challenges involved to truly create value for our talents, with their fast-evolving expectations; the competition in the labour market; and the change in the expectations and behaviour of our customers in the New Retail environment. To address these challenges, Sa Sa's talent strategy is developed based on a core set of commitments and priorities that provide a strategic framework for addressing each issue.

"Our commitment: The Company values our employees and recognises that the core of our Company's success depends on our ability to inspire talent to deliver excellence. We are committed to creating and maintaining a positive working environment within which employees are able to flourish and to share the success of the Company."

* Per extract from Employment Policy

Key Issues	2017/18 Review	Key plans for 2018/19
Staff Training and Capacity Building	Page 69-72	• Continue to leverage tools, such as TMSS and mystery shopper to ensure we retain our continuous improvement culture • To continue allocating resources to key training and development programmes, conduct benchmark and review as necessary via internal or external assessor • eLearning: Continue to develop new content for eLearning platform • Review training's role in mobilising Sa Sa's pivot to the New Retail era, fostering synergy between frontline colleagues' capabilities and the organisation's direction
Staff Benefits, Welfare, Holidays & Working Hours	Page 73	• Monitor market practice and staff feedback on compensation • Regular review of remuneration offers by Sa Sa
Performance Review and Promotion	Page 73	• Conduct annual performance review and appraisal process • Maintain a culture of providing frequent employee feedback • Review organisational hierarchy and performance review methods, in order to provide options for management in allowing more lateral movement opportunities for office management and key frontline staff
Employee Engagement and Social Dialogue	Page 74-75	• Continue the staff engagement platform, such as Grand Breakfast Meeting, Night Meeting, staff newsletter, Social & Recreational Club etc. • Review the role of frontline "shop trainer" and strengthen the role it can play in developing younger colleagues within the team • Promote "Sa Sa Service DNA" and reinforce the appreciation culture
Staff Turnover, Dismissal and Talent Retention	Page 73, 100	• Monitor and review existing staff turnover issues and causes • Strengthen work relating to employee engagement, staff remuneration and performance appraisals • Review and enhance new hire onboard experience
Corporate Governance	Page 117-141	• Corporate Governance is covered separately in the Corporate Governance Report
Equal Opportunity, Non-Discrimination, Staff Diversity and Human Rights	Page 73	• Ensure relevant colleagues within Sa Sa continue to recognise the Company's commitment to equal opportunity, non-discrimination, staff diversity and human rights
Occupational Safety, Health (OSH) and Security	Page 75	• Conduct regular review of relevant operations with exposure to OSH risks • To provide adequate induction on OSH to new hires on the relevant issues

Our Strategy on Talent – Understanding and Serving Their Needs

Much effort has been devoted to understanding, answering and planning to address stakeholder needs over the short, medium and long term. The immediate actions that have been taken are described in various parts of this chapter. Medium and long term planning will be conducted in the course of the coming financial year, following risk assessments, prioritisation and resource planning. To provide more effective communication to stakeholders, the plans for 2018/19 have been drawn up after dialogue with relevant owners of the key issues.

Our Policy and Management Approach

Three key policies govern our work in this area, with our approach and principles clearly set out for managing key issues relating to our talent. These include:

Employment Policy

Health & Safety Policy

Training and People Development Policy

To ensure these policies are effective and relevant, the responsible department reviews them annually, assessing their effectiveness when addressing relevant risks in our operations.

Sa Sa complied with all relevant laws and regulations relating to employment, labour and data privacy during the year.

Our Talents, by the Numbers

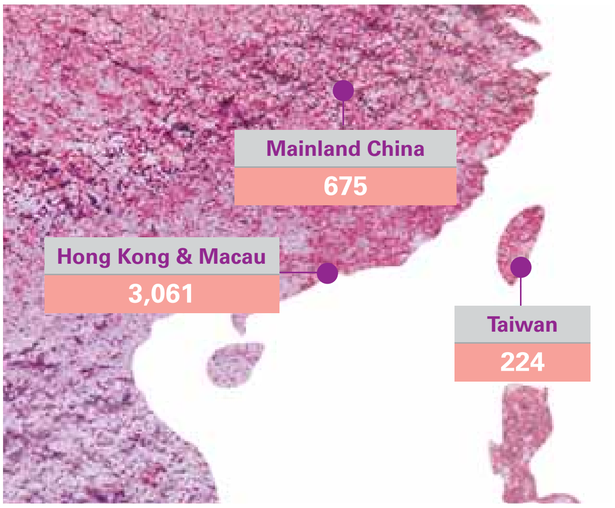
The Group employed close to 4,800 people in 2018. We recognise the importance of maintaining a workforce that is diverse, with over 50% of our directors being female, as compared to an average of 13.8% in Hang Seng Index listed companies *(according to Community Business Women on Boards Hong Kong 2018 Report)*.

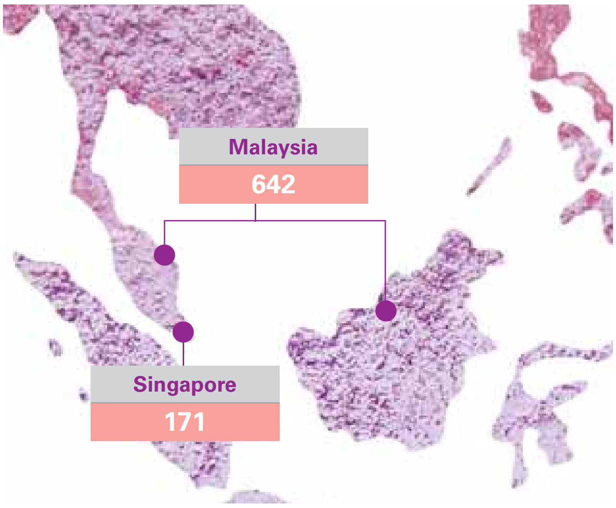
The decision to close all stores in Taiwan in February 2018 was a difficult one for Sa Sa's management. With over 20 years of history operating in Taiwan, the rationale of focusing our resources on more tangible areas of growth still left our management feeling regretful for the breaking of personal ties with the 224 colleagues who worked with us to make the business a success. Full compensation will be arranged for those colleagues who are affected by this decision in accordance with local regulations.

Employee Number by Employment Type

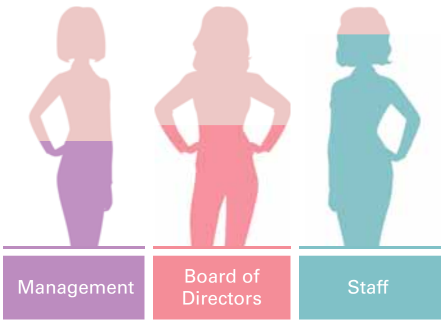
	Full Time	Part-time or Temporary	Total
Total	**4,236**	**537**	**4,773**

Employee Number by Market



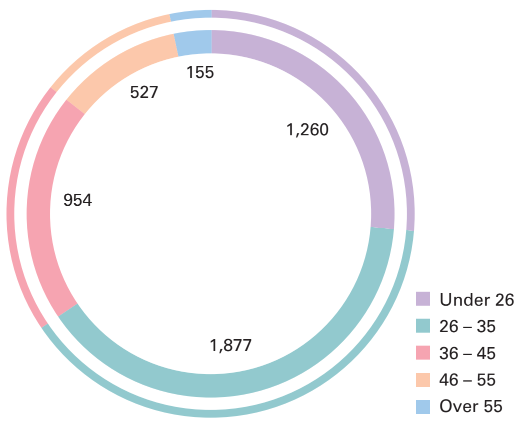


Employee Number By Gender



	Management	Board of Directors	Staff
% of Female Composition	44%	57%	83%
Female	11	4	3,952
Male	14	3	821

Employee Number by Age Group



The Sa Sa Influence – an Opportunity to Grow

We believe in the importance of continuing to invest in talents so they can grow with us. That is why Sa Sa offers some of the most comprehensive training programmes to our talents, so that they have the relevant confidence and competence to serve our customers' needs.

Sa Sa also recognises the need for our training content to continuously evolve to maintain its relevancy to the digital transformation Sa Sa is undergoing. For example, the recent addition of WeChat Store training to our Junior Beautician Trainee (JBT) programme; the training on our recent launch of the Sa Sa mobile app; and the continued enhancement of our e-Learning platform. Additional training has been provided to remind our Beauty Consultants to make better use of social media and digital channels to connect with our customers.

Various tracks of training programmes are offered to our talents, whether they are new recruits or experienced professionals, thereby enabling our colleagues to fully develop their full potential to serve our customers' needs.

Some of the more structured programmes used in developing our talents include:

New Hire

- The Junior Beautician Trainee track
- The Management Trainee track

Continuous Development

- Qualifications Framework
- E-learning platform
- Big sister and outstanding big sister scheme
- Continued education subsidy

Junior Beautician Trainees: from Dreamer to Professional

Sa Sa Beauty Consultants have been recognised as one of the best trained beauty professionals in the market, with over 300 training hours invested in each one of them on their graduation – from the development of Sales Trainees, to Junior Beautician Trainees, to Beauty Consultants. The curriculum consists of product trends, product knowledge, customer service and customer psychology.

Once the beauty consultant has acquired significant hours of experience and their leadership potential is identified, they are encouraged to assume a mentorship role as "Big Sister". In this role they provide personal guidance to sales colleagues who are new to the Sa Sa family, helping them to settle in and providing on the job guidance that might not be covered fully in the core curriculum.

Frontline Development Path

Sales Trainee

Training:
80 hours

Core curriculum:
Product knowledge, customer service

Junior Beautician Trainee

Training:
222 hours

Core curriculum:
Advanced product knowledge, customer service

Beauty Consultant

Training:
Core: 35 hours
Advance: 41.5 hours

Core curriculum:
Advanced product knowledge, customer service, sales technique and customer psychology

Big Sister

Training:
Core: 16 hours
Advance: 12.5 hours

Core curriculum:
Management and training technique

Outstanding Big Sister/ Shop Trainer Programme

Training:
Core: 27 hours
Advance: 6 hours

Core curriculum:
Advanced shop management and leadership skills

Assistant Shop Supervisor/ Sales Supervisor/ Shop Supervisor

Management Trainee – Developing Our Future Leaders

The Sa Sa Management Trainee (MT) is a 18-24 months programme that is designed for recent university graduates who are looking for challenges that will stretch their adaptability, team work and problem-solving skills. In order to increase their exposure to diverse influences, a total of four streams of MT are made available to fit to individuals with varying interests and backgrounds.

Sales & Operations MT
- Shop retail focus
- Product insight and customer interaction opportunities

Finance and Accounting MT
- Financial control focus
- Exposure to all aspects of transaction & reporting

- Rotation through different departments and access to management team
- Unique opportunities and challenges

E-commerce MT
- Digital retailing focus
- Social media and multi-channel oriented

Logistic MT
- Business and process optimisation focus
- Engage in projects that aim at best in class fulfilment solution

By the numbers:

Applications
814

Rounds of selection & screening required
3

Final intake:
20

Programme duration
18-24
months

In the coming year, new tracks to MT are being developed to provide fresh graduates with further diversity in their career choices and to align the recruit with our organisation's strategic growth direction. These choices include Category Management and Product Development (CMPD) and Marketing MT specialization.

Qualifications Framework

Some of our Sa Sa professional beauty consultants have served our customers for over a decade, providing advice covering skin analysis, skin care, make up, hair care, nail care, body care and fragrances. To better recognise their expertise in this area, Sa Sa participates in the Recognition of Prior Learning (RPL) programme. This is a mechanism under the Qualification Framework (QF) that provides an alternative route for practitioners to obtain QF-recognised qualifications based on their on-job insights developed over several years. Such a mechanism facilitates their subsequent progression in continuous learning, and in career development. Sa Sa provides not only financial support to our experienced talents in this RPL registration, but we also provide additional training to better prepare them for converting their experience into formal qualifications.

Over 31 colleagues were successful in their RPL application during this financial year, amounting to a total of 221 colleagues since Sa Sa began supporting this initiative.

E-learning Platform

Sa Sa revamped our e-learning platform last year, enhancing the on-demand learning experience for our frontline colleagues by better fitting into their routine.

The platform provides multimedia training content that includes product training, skincare service tips, market trends, and English language training opportunities. Our WeChat store training is one of the recent additions to our e-Learning platform.

The content on e-Learning is under constant review, to ensure its continued relevance to our colleagues.

Average of **1,800** click throughs per month

A total of **150** training classes are available for colleagues

Big Sister and Outstanding Big Sister Scheme

The Big Sister and Outstanding Big Sister schemes aim to develop our experienced colleagues into coaches and trainers for more junior colleagues, thereby enabling the transfer of valuable knowledge that has been developed over many years. This is also a leadership development opportunity for colleagues on this track to progress to a shop supervisor role.

Continued Education Subsidy

In addition to the structured training programme offered by our Training and People Development Department, a training subsidy is made available to each of our talents, so that they can pursue courses of their choice. The only condition is that the programme can be identified as relevant to their duties by their supervisor.

A Fair, Caring and Rewarding Experience at Sa Sa

To ensure our talents clearly understand their obligations and entitlement as a member of the Sa Sa family, we have set out relevant details in the Employment Policy and Employee Handbook, covering issues relating to:

- Recruitment, compensation and promotion
- Working hours and rest periods
- Staff dismissal and end of contract arrangements
- Remunerations, benefits, performance reviews and promotion

Our remuneration packages are reviewed regularly and multiple incentives and rewards are offered to motivate and recognise our colleagues. As part of the performance management system, KPIs are adopted to ensure that the requisite directions and standards are set and met.

We believe in the importance of recognising employees' accomplishments, and thus we have many different but equally valuable ways of rewarding our talents. There are many performance incentives for our employees, with discretionary bonuses, sales bonuses, sales commissions and share awards being offered to reward good performance.

Additional reviews have been taken this year to address talent retention. One measure that has been introduced this year aims to enhance career opportunities for our cashiers. Although the cashier position is of very junior ranking in our organisation, a cashier's level-headed approach can greatly enhance retail shop performance during peak hours. Additional ranks have been established so that cashiers can advance as their experience accumulates. Other similar reviews are underway to evaluate aspects of the organisation's reward and performance structure.

In recognition that transportation can be a challenge for some of our colleagues living in different parts of Hong Kong, shuttle services have been organised for our office and logistic center colleagues. These services will reduce the challenges our colleagues face when commuting to work.

The total employee benefit expenses of the Group amounted to HK$1.18 billion for 2017/18, sharing approximately 14% of our organisation's turnover.

Workplace Harmony and Equal Opportunity

Sa Sa's Employment Policy sets out clearly the importance of an inclusive and harmonious workplace that's made available to all our staff in our Intranet and publish online to make available for our external stakeholders as well.

Diversity and Equal Opportunity

We recognise the value of a diverse and skilled workforce and we are committed to creating and maintaining a collaborative workplace culture in which all can thrive. We are dedicated to providing equal opportunities in all aspects of employment and maintaining a workplace that is free from discrimination, physical or verbal harassment against any individual on the basis of race, religion, colour, gender, physical or mental disability, age, birth place, marital status, sexual orientation or any other status protected by applicable law. We will strive to ensure that complaints, grievances and concerns, including whistle blowing, are dealt with promptly and confidentially.

Prevention of Child and Forced Labour

We condemn all forms of exploitation of children, do not recruit child labour and adhere to the minimum age provisions of applicable laws and regulations. The Company also supports the elimination of all other forms of forced, compulsory or bonded labour.

* Per extract from Employment Policy

Anti-corruption

To ensure the workplace operates in a fair and transparent manner, the following policies and practices are in place, including:

- Whistleblowing Policy: providing the necessary mechanism for employees to report misconduct within the organisation.
- Gifts and Entertainment Policy, Conflict of Interest Policy and Guidance on Prevention of Bribery Ordinance: preventing and managing possible conflicts of interest and bribery.

Our Internal Audit and Management Services Department is responsible for execution of these policies. Further information can be found in the Enterprise Risk Management Report.

An On-going Dialogue, an On-going Joy With Sa Sa

In the Sa Sa family, we recognise the importance of regular dialogue with our talents, to enable alignment between the direction from the Board and the activities undertaken daily in our shops, offices and logistics centres. Lateral communication between various departments within the organisation also serves an important role in creating organisational synergy. These communications are conveyed through various formal and informal means:

Formal Dialogue – Communicating Priorities

- **Board meetings:**
  A total of 27 Board and Board Committee meetings were held this year to ensure that key stakeholder interests were addressed and key strategic priorities were clearly defined.

- **Management meetings:**
  Weekly meetings of key members of the management team to ensure continuous alignment of operations to organisational strategic priorities.

- **Grand breakfast meeting:**
  A once per annum morning meeting held in the presence of all frontline colleagues and management, with the objective of sharing key strategic directions for the year. The topic this year focused on innovation.

- **Supervisor meetings:**
  A monthly meeting is held of all shop supervisors with the management, so that regular realignment of priorities can be discussed and implemented.

- **Night meetings, shop meetings:**
  To foster meaningful discussion and sharing amongst frontline staff, all shops organise a special "night meeting" session each year, in which colleagues gather and share their good practices.

Informal Dialogue – Making Communication Fun

Staff Recreational Club

The Staff Recreational Club (SRC) was initiated by colleagues from various part of the organisation, with the objective of providing a platform where colleagues with different hobbies can gather and share. Events are heavily subsidized and are often open to the families of colleagues.

We recognise the SRC as an additional avenue to provide extra benefits to different members of staff. SRC also plays an important role in cross-department communications.


Mooncake making class


Rice dumpling workshop


Movie night


Yoga trial class

Health & Safety

A dedicated Health and Safety Committee has been set up to address health and safety issues, led by the Head of Human Resources with members from various departments. The company's Health and Safety Policy sets out the employer's and employees' role in maintaining a safe and healthy work environment, and will be reviewed annually to ensure continuous updates and improvements. A module on avoiding workplace injury is also introduced at staff induction.

Health and safety by the numbers:

- There were zero cases of fatality due to workplace accidents in 2017/18;
- There were 26 cases of work related injuries in 2017/18;
- The total lost days due to work injury were 950.5 days; and
- An average of 0.29 days of sick leave were taken by our staff members per month.

Compliance with laws and regulations is at the heart of what we do. In the year under review, however, there were three instances of inadvertent non-compliance with health and safety legislation by two of our shops in Hong Kong, resulting in fines of HK$34,000 in aggregate. There was also one case of water discharge from a shopsign lightbox resulting in a notice being issued by the Food and Environmental Hygiene Department to cease the discharge, which was subsequently complied with. All shop supervisors have since been instructed to be more vigilant to prevent similar incidents from reoccurring.

To Influence Our Customers & Suppliers

Providing an enlightening beauty experience

"We value our customers and are committed to strengthening our ties with them over time by continuously improving the quality of our products and customer experience.

It is also part of our long-term strategy to create long-lasting and supportive relationships with our suppliers, as we strive to deliver value to our stakeholders, including our customers, the environment and society."

* Per extract from Responsible Product and Supply Chain Policy

Key Issues	2017/18 Review	Key plans for 2018/19
Supply Chain Management	Page 81-82	• Strengthen risk management approach in our existing quality system through implementation of ISO9001:2015 to replace ISO9001:2008 certification for key functions. *(See Quality Management System chapter in Corporate Governance Report for details)* • Continuous management of product sourcing to ensure products are fit for purpose
Product Responsibility, Health and Safety	Page 82	
Quality Assurance	Page 83	
Quality Customer Service and Management	Page 77-80, 83	• Launch campaign to strengthen **Sa Sa Service DNA** at the front line, to enable excellence of service delivery through team work and sharing of best practices • Desktop & mobile e-commerce site backend system upgraded, to enable greater consistency and convenience of user experience

Our Strategy on Customers – Valuing the Journey

Much effort has been devoted to understanding, answering and planning to address stakeholder needs over the short, medium and long term. The immediate actions that have been taken are described in various parts of this chapter. Medium and long term planning will be conducted in the course of the coming financial year, following risk assessments, prioritisation and resource planning. To provide more effective communication to stakeholders, the plans for 2018/19 have been drawn up after dialogue with relevant owners of the key issues.

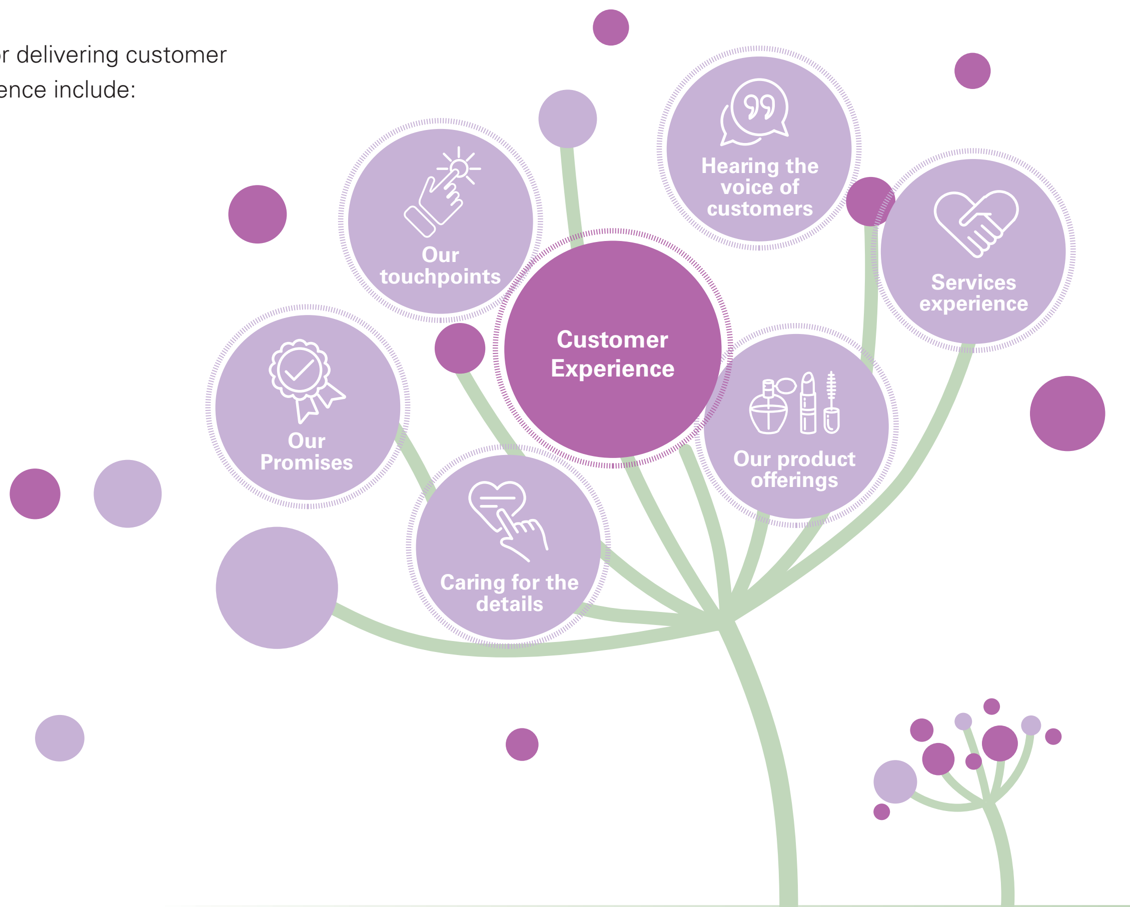
Arrival of the New Retail Era – the Need for Transformation

The rising waves of digital disruption offer a whole new world of risk and opportunity to Sa Sa. With the shift in consumer behaviour towards interactive digital media and a more personalised shopping experience, the traditional model of retailing is in danger of losing customer interest.

In the midst of this disruption, Sa Sa recognises that the New Retail concept promoted by Alibaba is likely to provide transformational outcomes and solutions from which we can actively benefit. Through the effective use of big data and analytics at the customer touchpoint, the New Retail concept also offers customers a perfectly tailored experience that seamlessly fulfills their needs.

To deliver all the benefits of New Retail will be a challenge, since it requires the redesign of both the frontend and backend process, changes in workflow and KPIs, and developing the mindset of all personnel along the way. Integrating the online-to-offline environment is a process that involves both supply chain and value chain transformation. It is a journey that we have embarked on with full commitment, without compromising our efforts towards the continuous enhancement of our core strengths.

Our key pillars for delivering customer value and experience include:



Our Touchpoints – Expanding the Beauty Horizon

With over 40 years of history as the leading cosmetics retailer of choice, we offer convenience, as well as luxurious yet affordable beauty solutions to our customers. We treat our suppliers as partners, expanding on our presence in a spectrum of physical and e-commerce spaces that offer enhanced convenience to our customers.

TMall Global Sa Sa Flagship Store

This year, we have further expanded on our touch points, including the launch of the Sa Sa Flagship store on Tmall Global – a cross-border e-commerce platform.

With a logistics function inside the bonded warehouse, customers can enjoy quicker delivery, more secure logistics channels, and greater peace of mind that high quality products will reach them intact and on time.

Sa Sa Mobile App

A Sa Sa Mobile App designed for our VIP customers was launched this year, with the aim of enhancing their convenience and customer experience. The new app offers the functions of a digital VIP card; updates on the latest VIP promotions; product news; eCoupons; location maps, and a clear record of customers' transaction history with Sa Sa.

Some of the other touchpoints that Sa Sa is currently presenting include:

Offline touch points:

Physical:
Sa Sa Store, Sa Sa Boutique, Sa Sa Supreme, Suisse Programme Treatment Centre

Communication:
Sa Sa Shine Newsletter, Magazine and Newspaper ads, TV ads

Payment accepted:
Cash, EPS, Credit Cards, WeChat Pay, Apple Pay, Android Pay, AliPay

Online touch points:

www.sasa.com;
Sa Sa Mobile App;
Sa Sa WeChat;
Sa Sa WeChat Store;
www.jd.com; www.Kaola.com, Xia Hong Shu, Weibo, Google, TMall, Facebook Page, YouTube, Baidu, Instagram, WeChat, LinkedIn

Hearing the Voice of Our Customers – Committee to Actively Listen

At Sa Sa, our management takes the concerns and needs of our customers very seriously. Feedback from customers is gathered both online and offline.

In Store Environment: In the shop environment, positive and critical feedback is generally gathered from our retail customers in either written or verbal form at the shop, via our customer service hotline, or by mail. All cases of complaint are handled by our Customer Service team in accordance with our ISO9001 certified procedure and workflow, with summary reports regularly sent to management for review and direction. During this financial year, we received a total of 142 complaints, as compared to 157 in the previous year.

Online Environment: Comments and feedback on social media are also taken seriously. In addition to a dedicated customer service team that responds to relevant enquiries online, Sa Sa actively utilises social listening tools to track social media conversations relating to Sa Sa, and comments are relayed to management to ensure that we have our finger on the pulse of any new developments. Analysis is regularly undertaken to track and respond to market impressions of various aspects of Sa Sa's operations and activities.

Service Experience – Our Commitment to Continuous Improvement

We are so committed to the enhancement of customer service and customer experience that we consider ourselves part of the consumer service industry. We dedicate considerable resources both to training and to benchmarking the experiences that we offer to our customers. Two of the core values in Sa Sa's service training are servicing our customers like a true friend and providing service from the heart.

Our approach to strengthening our service DNA includes:

Service training

Service training is embedded within the core of our training strategy, with a dedicated team that provides regular customer service updates and field coaching to our frontline colleagues.

Target measures – with service quality KPI

Through the use of our Target Management and Sustaining System (TMSS), which is embedded within each shop's operations, supervisors and management regularly monitor and review the service quality of individual stores.

Benchmark & awards

As part of Sa Sa's continuous improvement and learning culture, we encourage our colleagues to take part in various industry awards and external assessments, providing an opportunity for them to consolidate their experience and reflect on their own strengths and weaknesses.

Hong Kong Retail Management Association recognition

One of the significant achievement this year is with our participation at the Hong Kong Retail Management Association (HKRMA) Service and Courtesy Awards and the Mystery Shoppers Programme, bringing home a total of seven accolades, including:

Service and Courtesy Awards 2017
- The Best Team Performance Award – Gold Award
- Individual Award – Supervisory Level (Lifestyle Stores Category)
- Individual Award – Junior Frontline Level (Lifestyle Stores Category)
- Two Outstanding Performance Awards – Junior Frontline Level (Lifestyle Stores Category)

Mystery Shoppers Programme 2017
- "Service Retailers of the Year" – Silver Award (La Colline)
- "Service Retailers of the Year" – Beauty Products/Cosmetics Category Award (La Colline)

Sa Sa's victory in the Best Team Performance Award (Gold Award) under the HKRMA Service & Courtesy Awards, considered the "Oscars of the retail trade", also saw Sa Sa ranked as the top performing team amongst all categories.

Hosted by HKRMA, the "Mystery Shoppers Programme" aims to assess the service quality of retail operators by arranging for mystery shoppers to visit the stores and identify outstanding retail operators for the quality of their service.

Our exclusive brand La Colline specialty store not only won the Beauty Products/Cosmetics Category of "Service Retailer of the Year" for the 13th consecutive year, but was also honoured with the Silver Award of "Service Retailer of the Year" in competition with retailers across all industries. Sa Sa's victory in the Best Team Performance Award – Gold Award also saw Sa Sa ranked the top performing team amongst all retailers' categories.

The Sa Sa finalists in the HKRMA SnC award contest

The winning team La Colline Team

Our Product Offerings – Product and Supplier Diversity

We recognise that different customers require different solutions, and we seek only the best solutions appropriate to them. Their needs may vary in terms of product functionalities, ingredients, product concepts etc. We see it as our duty to identify the best solutions and we endeavour to source the best products for them through our continuous explorations around the world.

7% Europe (excluding France/Switzerland)

BYPHASSE, COLLISTAR, GIANFRANCO FERRE, Salvatore Ferragamo, TOUS, Crabtree & Evelyn London, Ferrari, BENTLEY, Blumarine, PUPA MILANO, TRUSSARDI, Mercedes-Benz Perfume, Versace, Giorgio Armani

14% France

MÉTHODE JEANNE PIAUBERT PARIS, j.f. lazartigue, JAGUAR FRAGRANCES, PRINCESSE MARINA DE BOURBON PARIS, TALIKA, Clarins, L'Oreal, Rene Furterer

11% America

giovanni, Elizabeth Arden New York, GUESS, Maybelline, Revlon, PERRY ELLIS

2% Australia/New Zealand

COAST TO COAST, CROP, Lanocreme, SPRINGFIELDS THE BEAUTY OF NATURE

45% Japan/Korea

CREMORLAB, SHANGPREE Spa Care System, BRTC, NOV, VT, BANILA CO, It's SKIN CLINICAL SKIN SOLUTION, 肌っ子, BEYOND, Rex, Dr.Jart+, skin79, Kate, Kiss Me, Canmake, the SAEM, Cyber Colors, SNP Shining Nature Purity, goodal ferment beauty, Dr.G MY SKIN MENTOR, sasatinnie, Soo Beauté

6% Asia (excluding Japan/Korea)

Neogence 霓淨思 LAB-DERMATOLOGICAL SKINCARE, Simply, DMC DeMeCare, For Beloved One, b·liv healthy pores healthy skin

9% Switzerland

La Colline Swiss Riviera Beauty Treatment, SWISS Rituel, Méthode SWISS BEAUTY CARE, SUISSE PROGRAMME, TRANSVITAL, La Estephe SWITZERLAND

6% Other

- Figures in percentages indicate the breakdown of origin of brands sold in Hong Kong and Macau in 2017/18. Figures may not add up to 100% due to rounding;
- Brands displayed in each region/country are not exhaustive; and
- Origin of brands is based on general customers' perception of the origin of the respective brands, which may be subject to various factors including location of manufacturer's or brand owner's headquarters, brand image and style of product design.

Number of Suppliers by Geographical Region

In compliance with the HKEx requirement of disclosing supplier numbers from different regions, we have analysed the contact office location of beauty and cosmetic suppliers that contribute the top 80% of our purchase costs, with the breakdown as per below:

Location of supplier's office	Supplier number
Hong Kong	62
Outside of Hong Kong	24

Caring for the Details – Quality, Safety and Responsibility

Product safety and quality are fundamental to what we offer our customers. Many of our key supply chain processes are certified by third parties such as ISO9001:2008 or ISO9001:2015, including Logistics, Category Management and Product Development, Marketing, and Customer Service. Significant efforts have been invested to ensure customers are satisfied with our products and services.

Beauty of Safety: Product Selection

Over 90% of our products are sourced from countries and regions that have the most rigorous product testing regulations and requirements, such as the European Union, America, Japan and South Korea. As part of our commitment to product safety, a number of mechanisms have been established for different types of vendors. These include providing our suppliers with a list of updated harmful ingredients to avoid; ensure compliance with relevant EU, ASEAN and China cosmetic regulations; conducting stability and compatibility tests on the finished product for private label products; seeking vendors' warranties for ingredient and product safety; and preference for vendors who are Good Manufacturing Practices certified. We also aim to continuously review the verification process and to identify areas that we can further enhance to improve our safety commitment.

As part of our drive to provide diverse beauty solutions to our customers, we currently house over 17,000 SKUs in our stores. We are pleased to report that there was again no case of product recall this financial year due to product safety or health issues. In the case of any potential issues with any of our products for quality, safety or health reasons, our management team will be directly involved in the discussion and decision-making process, and the interests of our customers will always be the top priority.

Product Safety

As the product shipments arrive in our warehouses from around the world, comprehensive checks and tests are conducted to ensure that only authentic and quality products with reasonable expiry periods are offered to our customers. This stringent quality control system is followed through with digital tracking of our stock as part of our integrated SAP management system. We are also committed to ensuring that only products with at least six months of validity stay on the shelves (except for food and pharmaceutical products, which due to their nature have shorter shelf lives). This gives our customers peace of mind and a strong feeling of quality assurance when shopping with us. As part of our commitment to protecting the intellectual property rights of others, we have requested warranties in most of our contracts with suppliers and service providers with a view to ensuring that intellectual property rights are respected. We also have a strict policy prohibiting the downloading of movies, music and pirated software.

Responsibility Towards Other Stakeholders

In addition to bearing responsibility to our customers, we are committed to encouraging our suppliers to continuously improve their sustainability performance in regard to our environmental and social agenda. This commitment is embedded within our Responsible Product and Supply Chain Policy, as well as being integrated into our current ISO process for engaging new suppliers. Our supplier evaluation includes preferential selection of suppliers that embed the following aspects in their business: protection of the environment, protection of labour welfare and rights, provision of equal opportunities, non-participation in animal testing, protection of endangered species, and responsibility for own sourcing.

Enhancement of Online User Experience

With the increasing integration of mobile and online experience into the customer journey, we have been continuously investing in solutions to enable a more seamless experience across platforms. These solutions include the commencement of the upgrade and integration of our backend system in support of our core online business features, such as Sa Sa Apps, desktop site and mobile site. The system upgrade aims to drive greater convenience and consistency in the shopping experience at the consumer interface level, and in the long run to strengthen our ability to better serve customers through the use of AI and predictive modelling.

Our Promises, Our Actions

Ensuring our customers are satisfied is one important promise that we make at Sa Sa. Consistent across all our platforms, Sa Sa offers our customers a 30-Day Purchase Guarantee, ensuring their peace of mind when they shop at any Sa Sa touch point.

In recognition of customer concerns over the privacy of their personal data, our operations strictly comply with the Personal Data (Privacy) Ordinance, and we are committed to ensuring that the customer information we receive is only used for the purpose for which the personal data were collected.

Our Influence On The Environment

The beauty of a sustainable future

Sa Sa recognises our responsibilities for the potential direct and indirect negative environmental impacts associated with our business operations.

By integrating environmental considerations into all our decision-making processes, we embrace our responsibilities to create an environmentally sustainable business. This mission is achieved through innovation and implementing measures that promote greenhouse gas emissions' reduction, energy and water conservation, efficient use of natural resources, waste reduction, and any other green initiatives across the life cycle of our products and services.

* Per extract from Environmental Policy

Key Issues	2017/18 Review	Key plans for 2018/19
Environmental Awareness	Page 86-87	• Green lunch, green email communication, green newsletter, green outing, new hire induction programme, MT green project • Revise new hire induction green programme to enrich trainee experience
Waste Management and Recycle of Waste	Page 88-89	• Drive office waste reduction and recycling programmes on paper, metal and plastic • Continue data collection on office waste and recycling, and extend the waste baseline data collection process to cover retail and the logistics centre • Continue enhancing participation in red packet, waste electronic and mooncake collection and donation • Pilot waste reduction campaign for different parts of our operations
Eco-friendly Products and Services	Page 92-93	• Continue monitoring of cleansing and exfoliating products for microbeads related content, to comply with Sa Sa's commitment • Review various market green product standards, covering aspects such as product packaging and product ingredients, and identify eco-friendly product concepts for Sa Sa
Use of Natural Resources	Page 88-89	• Regularly review key business activities to identify the impact of natural resources use and potential for reduction
Water Resources, Consumption, Discharges and Sustainable Management	Page 89	• To enhance internal communications and education on water conservation
Energy Consumption and Efficiency	Page 89-91	• To ensure all newly renovated shops are fully LED lit • Review existing operating locations for their energy usage and savings potential
Compliance with Environmental Regulation	Page 88	• Monitor environmental regulation updates and actively participate in relevant Environmental Protection Department consultations and update seminars

Our Strategy on Environment – Focus on Our Impact

Much effort has been devoted to understanding, answering and planning to address stakeholders' needs over the short, medium and long term. The immediate actions that have been taken are described in various part of this chapter. Medium- and long-term planning will be conducted in the course of the coming financial year, after risk assessments, prioritisation and resource planning. To provide more effective communication to stakeholders, the plans for 2018/19 have been drawn up after dialogue with relevant owners of the key issues.

"We must take a strategic approach to tackle the environmental challenges that the planet is facing.

Ultimately, we should integrate environmental considerations into the DNA of Sa Sa."

Dr Guy Look
CFO & Executive Director

Environmental Awareness – an Influence for Green Action

We believe that corporate responsibility delivers the best and most visible results when it is understood as the shared responsibility of everyone in the organisation. We endeavour to make all our employees aware of how their conscious choices can make a positive difference towards our environmental footprint, thereby strengthening their sense of responsibility towards finding a solution. Various initiatives were organised during the year:

Green Lunch – Sharing Food and Thought

Green Lunch is an annual seminar and a mini gala that we organise for our frontline and office colleagues, with the objective of inspiring them with environmental facts and challenges, along with serving a vegetarian buffet lunch.

The focus this year was on waste and green lifestyle, and we were fortunate to be able to invite partners from institutes such as Greeners Actions, CLP, and Fair Trade Hong Kong to work with us on the campaign. Our CFO & Executive Director Dr Guy Look also shared his personal concerns and practices for addressing the plastic waste issue.

The "Turn Off Your Computer & Monitor Scheme" was organised in August 2017. Through random inspections after office hours at our office, we identified those colleagues who regularly fail to switch off their computer equipment when not in use.

Zero Waste Pilot Scheme

As a launch pad for our waste reduction campaign, we began work on one of our office floors, replacing half of the garbage bins at workstations with paper recycling bins.

This greatly increased employee awareness of waste separation, reducing the weight of recyclable materials that enter the waste stream from 39% to 11%.

Red Packet Reuse and Recycling Programme

Sa Sa continued our support as a sponsor of and participant in Greeners Action's "Red Packet Reuse and Recycling Programme" for the fifth consecutive year, providing a total of 50 retail locations to collect used red packets from our customers and colleagues, so that they can be redistributed next Chinese New Year.

It is estimated that Sa Sa collected over 680,000 red packets this year, a 17% increase as compared to last year.

Marine Conservation Tour

To instil a green mind-set in our colleagues, a green tour has been organised every year with invitations being offered to family members of our colleagues.

This year, the tour took the form of a visit to The Jockey Club HSBC WWF Hong Kong Hoi Ha Marine Life Centre to appreciate valuable marine resources. WWF also took the opportunity to share with participants the importance of marine protection and offered tips on how they could best play a role in this mission.

Formal Communication Channels

Sa Sa Internal Newsletter

Our internal newsletter has been published and distributed to all colleagues every quarter since 2012, with a "Green & Gorgeous" column being included in each issue. The aim is to raise awareness of the latest environmental news and to offer daily green tips.

New Hire Induction

To ensure all employees share our commitment to the planet and pursue environmentally conscious practices, all new hire employees receive training relating to our environmental policies, environmental impact and good environmental practices within their work domain relating to their work domain.

E-education

E-communications are sent out during the year, to remind our colleagues about trending or essential environmental updates that are relevant to their daily routine.

Greening Our Operations – Making Green a Routine

Environmental Compliance

Sa Sa complies fully with all applicable environmental laws and regulations. During 2017/18, we received no reports of non-compliance. As a retailer, Sa Sa complies with the Product Eco-Responsibility Ordinance (Cap. 602) with respect to the levy on plastic shopping bags, with 50 cents charged for each plastic bag purchased in our stores. In 2017/18, we provided more than 2.8 million plastic bags to our customers. Sa Sa also played an active role in discussions with other retailers and the Environmental Protection Department, identifying how we can further reduce customer consumption of plastic bags. Information on the use of the plastic bag levy money can be found below in the Green Product section of this report.

Waste Management

In the retail industry, waste can occur throughout a product's lifecycle, from the design stage through to consumer use. Bearing in mind the importance of this issue, during the year we made robust efforts to reduce waste in areas that are controllable, practical and impactful.

Explanation: Hazardous and Non-hazardous Waste Data Set Incomplete

The disclosure of hazardous and non-hazardous waste data is not complete this year for our defined reporting set. Our current waste data contain only waste activities from the office and the disposal of expired or excessive stock from the logistic facilities.

Although we have begun reviewing store level waste generation and our methods of data collection, we have encountered significant challenges due to the diverse waste management approaches adopted by different stores, which in turn are a result of the varying support levels provided by different landlords.

We aim to complete defining our waste management data collection process, and for it to start covering all our stores, logistics facilities and offices by end of 2018/19. We recognise the need for baseline information and a precise picture of the shortfalls in our existing waste management process, so that we are ready for the waste charging scheme that is likely to come into effect in 2019/20.

Logistics Centre – Packaging & Transportation

Packaging: Packaging is a substantial and visible source of waste for Sa Sa, whether it is packaging used at transportation, or packaging that is protecting the products in the process of reaching our customers. To optimise our use of packaging materials and preserve the environment, our logistics and operations team continuously evaluate product packaging at delivery and identify opportunities for reducing usage of packaging material.

The carton boxes used to protect products while being transported to our stores are re-used as often as possible, with clear marking printed on the carton box surface to identify the number of delivery cycles that the carton boxes have undergone. Due to each carton box being used on average four times before it is sent off for recycling, we have saved more than 738,000 cartons cumulatively since the launch of this campaign in 2015.

Plastic and wooden pallets and carton boxes from our suppliers are also reused where possible for transporting products from our logistics facility to our stores.

Forward Looking:

Logistics has started testing the use of batch size control through adjusting the Minimum Order Quantity (MOQ) of orders, so that direct delivery of our top 10 best-selling SKUs can be achieved without the need for replacing the original packing.

This will benefit our operations by not only reducing the need for carton boxes, but it also reduces the time cost of handling inbound and outbound logistics.

All plastic shopping bags given to customers are design with environmental consideration, including the use of oxo-biodegradable material for our all plastic bags. Our paper shopping bags with plastic components are also made with material certified by the Forest Stewardship Council (FSC), which guarantees that the paper comes from sustainably and responsibly managed forests and does not derive from areas undergoing desertification or deforestation.

Construction Waste

It is in our guidelines to contractors that all waste generated during the store renovation process shall be properly managed by authorised waste handlers.

Electronic Waste

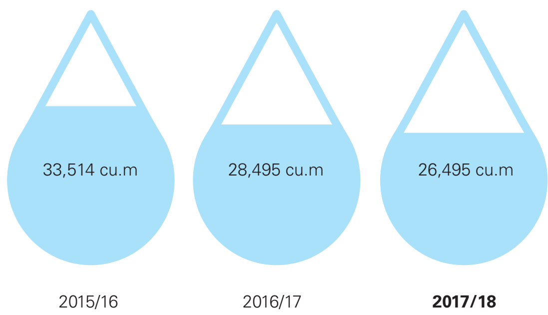
To responsibly manage and minimise the impact from the disposal of our computer equipment, for the past several years, Sa Sa has partnered with a third-party electronic recycling organisation to recycle our electronic waste. During the year, 56 items in total were redistributed to people in need or recycled in an environmentally responsible manner.

Water Resource Management

Sa Sa is not a water intensive company and we do not have issues in sourcing water. We recognise the importance of water resource conservation however and the risks associated with shortage of fresh water supply. Water conservation is covered under our Environmental Policy and is shared as one of the core topics in our induction programme for all new hires.

Sa Sa also tracks water consumption from our office, retail and logistics centre operations, and we remind our colleagues to conserve water where possible.

Water Consumption



Sa Sa Carbon Performance – Relentless Drive Towards Low Carbon Operation

Combating climate change – for which greenhouse gases are a determining factor – is recognised as a major priority in Sa Sa's Environmental Policy. To help us understand our contribution to anthropogenic climate change, Sa Sa has calculated the carbon footprint of our business operations since 2012/13.

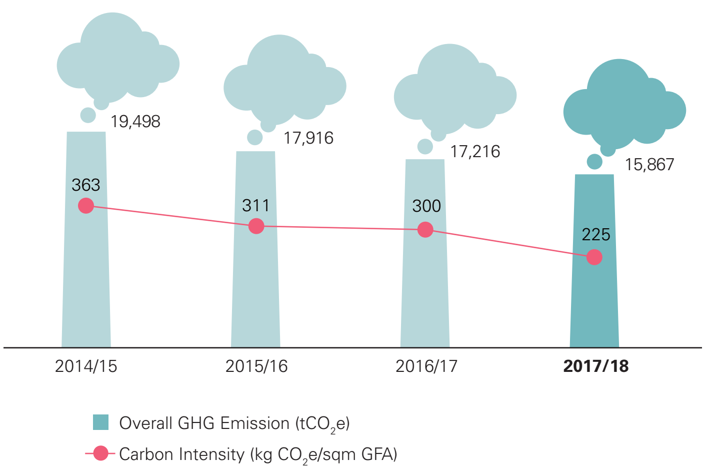
Our carbon emission analysis follows the principles outlined in the *Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Building in Hong Kong (2010 Edition)*, a recognised standard for carbon reporting.

Carbon Performance Overview

In 2017/18, our operations produced 15,867 tonnes of carbon dioxide equivalent (CO_2e) emissions, a decrease of 8% in absolute terms compared with 2016/17 emissions of 17,216 tonnes, or a decrease of 25% in terms of our operational GFA intensity.

Observing our carbon reduction over a longer period, we have seen an absolute decrease in our organisation's carbon emission of 19% from 2014/15 to 2017/18, even with the total operating floor area grown by 31% over that period. This effort needs to continue however, as we recognise that there are still potential reductions that have not been fully realised in our operations.

Carbon Emission and Intensity



Carbon Composition – Identifying Our Key Sources of Carbon Emission

Our carbon emissions are calculated in accordance with the *Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong (2010 Edition)* issued by the Electrical and Mechanical Services Department and Environmental Protection Department, which is the recognised standard for carbon reporting. The guideline divides emissions into three categories – scope 1, 2 (mandatory) and 3 (optional).

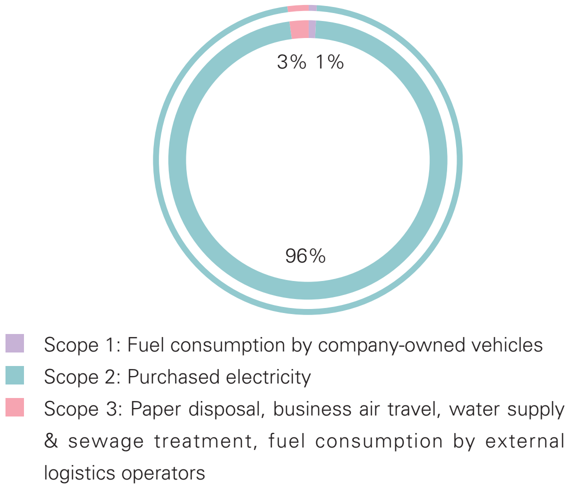
Scope 1: Direct carbon emissions – company-owned transport fleet and employee-owned vehicles used for business purposes

Scope 2: Electricity indirect carbon emissions – purchased electricity consumed in our stores, headquarters and logistics facility

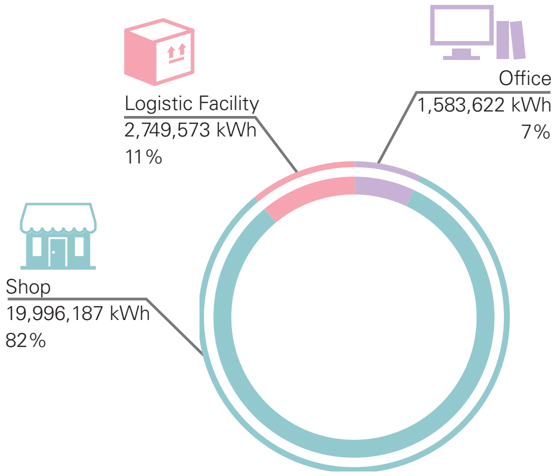
Scope 3: Other indirect carbon emissions – business air travel, fresh water supply and sewage treatment, paper disposal at landfills, and transport fleet owned by the external logistics operators

For our analysis, the main source of carbon emissions is associated with electricity consumed, Scope 2 emissions, contributing to more than 96% of the total carbon emissions from our operations.

Carbon Emission by Scope 1,2 & 3



Energy Consumption by Facility Type



Carbon Reduction Initiative – Our Focus on Energy:

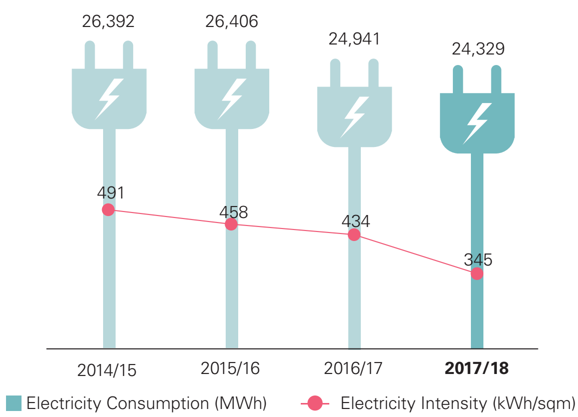
With electricity contributing more than 96% of our total carbon emissions, much of our efforts have been devoted to making a difference in this area.

Overall Energy Performance

Overall, in 2017/18, we reduced electricity consumption by 2.5% in our retail stores, logistics facility and offices to 24,329 MWh, compared to the previous fiscal year. While our energy intensity, normalised against gross floor area, equated to 345 kWh per square metre. This is 20% less than last year.

The energy reduction observed can be divided into two main factors, one being attributable to our ongoing efforts in raising energy efficiency. The other being the temporary parallel operation of two warehouses as part of the transition of the old warehouse to its new site. This is further explained in the next section.

Electricity Consumption and Intensity



Improving Energy Efficiency

A number of practical steps were undertaken during the year to raise our energy efficiency and reduce our carbon emissions:

LED Lights

With retails stores accounting for 82% of our total energy consumption, we continued to increase the numbers of stores with LED lighting to 92 stores at the end of this fiscal year, representing 74% of the retail shop footprint.

Almost 100% of our office space is installed with energy efficient lighting (T5 or LED). 100% of our logistics centre is also LED lit.

Charter on External Lighting

Sa Sa is one of the early adopters and signatories of the Environment Bureau's Charter on External Lighting, a charter that urges retailers to switch off external light to minimise light pollution for nearby residences.

Sa Sa has an established policy and timer in place to ensure that the external lighting systems of all our relevant stores are extinguished after 12 midnight or earlier as is practical.

A Greener Logistic Facility

Our migration to the new logistics facility at ATL Logistics Centre was completed in September 2017. Various environmental standards have been incorporated into the interior design to minimise our environmental footprint wherever possible. These standards include:

- Installation of a variable refrigerant flow (VRF) air conditioning system, which is designed to be approximately 48% more energy efficient than a conventional one
- Interior spaces are separately zoned to enable independent control of air temperature
- Full installation of LED lighting
- Additional cotton insulation on the ceiling to reduce thermal conductivity and the installation of a propeller fan to enhance air movement, resulting in more efficient temperature control
- Pallet wrap machines are equipped to reduce stretch film consumption in the wrapping of loaded transportation pallets
- Recycling storage and collection capabilities for:
  - Office paper waste and carton boxes
  - Aluminium cans
  - Plastic bottles
  - Pallet wraps
  - Wooden pallets
- 100% Euro V transportation trucks and an all-electric fork truck were adopted

Thanks to the various energy-efficient features, the new facility consumes 18% less energy in absolute terms or 24% less in relative terms per square metre. This reduction will help to lower our carbon emissions in the next financial period.

Logistics Centre Parallel Operation

The new logistics facility began operating in September 2017, while the old logistics facility remained in parallel operation until January 2018. The parallel operation of these new and old logistics facilities led to additional electricity demand, resulting in a 14% increase in energy consumption in absolute terms as compared to the previous year. The total logistics floor area temporarily doubled, however, and relative to the small increase in energy use, Sa Sa was successful in temporarily driving down the Group's carbon intensity.

We expect the energy intensity to increase slightly in 2018/19 as compared to 2017/18, once the effect of the two warehouses site has been eliminated.

Carbon Reduction Target Review

In 2017, we committed to review our existing emissions and assess the possibility of identifying targets for our Scope 1 and 2 CO_2 emissions reduction, as based on the methods outlined in the Science Based Targets (SBT) initiative within the next two years.

Based on our preliminary findings during this period, further discussion with management will be underway in order to assess the practicality of setting such a target for Sa Sa based on our actual activity growth and viable reduction strategy.

The detailed carbon emission and electricity consumption data for the previous three years and an explanation of the methodology can be found in the Sustainability Data Statement – Environment (page 101).

Green Products – Offering Customers a Green Alternative

Our Commitment on Microbeads

Sa Sa pursues the goal of, reducing the environmental impact of the products sold to our customers as well as meeting the high-quality standards our customers expect.

In recent years, microbeads (defined by Microbead-Free Waters Act of 2015 (U.S.)) as any intentionally added, 5 mm or less, water insoluble, solid plastic particles used to exfoliate or cleanse in rinse-off personal care products) have been scrutinised for the negative impact they may pose to the marine environment and human health. Many countries and major multinational brands have already stopped, or are taking steps to eliminate the usage of microbeads in rinse-off products.

To this end, in 2016, Sa Sa implemented a policy banning plastic microbeads in all rinse-off products sold at Sa Sa, with the target of completely phasing out these products by the end of 2018.

Various checks and measures have been undertaken:

Review of product ingredient list

Directly seek vendors' confirmations

Conduct eyeball check of products

Review publicised commitments by different brand owners

Like many retailers, we do not always have direct control over every stage in the lifecycle of our products. However, as a good corporate citizen, Sa Sa continues to assert our influence over our supply chain, and aims to influence our suppliers so that they share our commitment on this issue whenever reasonably possible.

Accordingly, we have revised the ordering procedure to minimise the chance that new cleansing and exfoliating products will contain any microbead exfoliants. We are currently working intensively on identifying and discontinuing all existing products that used plastic microbead exfoliants prior to the full enforcement of the policy.

2,100+
Number of products involved in our check

182
Number of vendors contacted

24
Number of SKUs that are found to contain microbeads.

Eco Meal Kit – a Commitment Towards Waste Reduction

The damage that plastic waste has on the planet extends to both ocean and land. Plastic utensils and takeaway box waste are major contributors to this enormous problem. Green Group reports that five major fast food restaurant chains in Hong Kong together distribute more than 400 million pieces of disposable cutlery each year. A separate study has revealed that plastic fragments, the constituents of which are commonly used in the making of disposable plastic cutlery, have been found in nearly two-thirds of local fish species in Hong Kong.

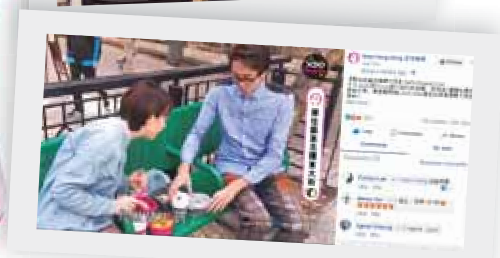
In 2017/18, part of the shopping bag levy money was spent on subsidising the production of the Sa Sa 40th Anniversary Signature product, an Eco Meal Kit. This was created as a free gift for our colleagues who participated in the Sa Sa 40th Anniversary Annual Dinner echoing our waste reduction campaign and the 40th Anniversary motto of "Beauty Forever". This initiative is aimed at reducing the environmental damage caused by the use of throw-away boxes and cutlery at takeout venues. Since the Eco Meal Kit is designed to be BPA-free, durable and collapsible with food grade silicone, we believe it is an effective alternative to disposables.

An additional batch of the Eco Meal Kits were produced and sold at lower margin to our customers, to provide them with affordable access to green lifestyle solutions.

Beyond the Box

A number of initiatives were built around the sale and free gift of the Eco Meal Kit, as an integrated part of our waste reduction strategy. These included a series of social media and customer engagement campaigns that were launched based on waste reduction, including a Facebook Live and contest.

The Sa Sa's MT also developed a campaign of their own to promote waste reduction. This consisted of promotion via both offline and online channels. As a result, a total of over 25,000 views & likes were gathered from the combined activities, with over 500 social media shares, and more than 100 green ideas were gathered via social media.



Awards and Recognitions – a Recognition of Our Commitment

As part of our continuous commitment to driving forward green initiatives, Sa Sa received a number of awards and recognitions during the year, including:

- Hang Seng Corporate Sustainability Benchmark Index – for the seventh consecutive year, Hang Seng Indexes Company Limited
- CSR Index Plus, Hong Kong Quality Assurance Agency
- Charter on External Lighting, Environment Bureau
- Corporate Membership Programme – Silver Membership 2017/18, WWF(HK)
- Low-carbon Office Operation Programme 2017/18 – Gold Award, WWF(HK)

Our Influence On The Community

Creating an impact that matters

Sa Sa recognizes that as a good corporate citizen, we have a real responsibility for the community in which we operate. The results of our Materiality Assessment echo that commitment: "Charity, Community Involvement and Investment" are amongst the "Most Material" Issues selected by our stakeholders.

"With our "Making Life Beautiful" aspirations in mind, we fervently desire that our presence in the community brings hope to individuals and families, so that their lives can become more beautiful."

Although Hong Kong's GDP per capita is ranked in the top 10 countries and regions in the world (according to the International Monetary Fund 2017), Hong Kong is still faced with numerous social challenges. These are reflected by Hong Kong being ranked 76th in the 2018 rankings of the World Happiness Report, continuing a clear downward trend over recent years. The poverty issue persists, with one in five people in Hong Kong being considered poor – a record high. The aging population continues to increase, with one in three residents forecast to be reach the age of 65 or above by 2034.

As an integral part of the community, Sa Sa believes it is essential that we make a significant contribution to the solution for Hong Kong.

Our Strategy and Management Approach Towards Contributing to the Community

Two Main Vehicles for Sa Sa to Deliver Care to the Community

The Sa Sa Making Life Beautiful Charity Fund

The Sa Sa Making Life Beautiful Charity Fund (The fund) was established in March 2013, with the vision of helping our community to realise inner harmony and true beauty through delivering our "Making Life Beautiful" philosophy from the heart. The fund is one of the primary vehicles for assisting some of the charities that are in need for support.

Sa Sa Sincere Volunteering

The "Sa Sa Sincere" Volunteering Team was established with the aim of serving the community by bringing together individuals who share the same passion for making a positive difference to the community through various Sa Sa's activities.

With the help of the Charity Committee, a total of 815.5 volunteering hours were recorded by our volunteer record system.

We support the local community through various means, including providing direct financial support; in-kind support; and volunteers to support event happenings. Our charity work generally includes the elderly, the underprivileged and poor, youth development, and women in society.

Sasa 美麗人生慈善基金
Making Life Beautiful Charity Fund

$4.7m

Total donation for 2017/18

815.5 hours

Total volunteering hours

Care for Elderly – the Cornerstone of Hong Kong

The success of Hong Kong today is built on the hard work and perseverance of prior generations in pushing forward the city's social and economic development. As our citizens age, we recognise that there is a role that Sa Sa can play to show gratitude and look after them.

Guinness World Record at IFA Aromaday

Sa Sa is the Gold sponsor for the International Federation of Aromatherapists (IFA) Aromaday, a charity event that has broken the Guinness World Record for the number of people receiving a professional hand massage at the same time. A total of 297 registered aromatherapists and Hong Kong professional beauticians took part in the record-breaking event, conducting aromatherapy for an equivalent number of elderly people at the same time. In addition to breaking a world record, the event served the dual purpose of healing and promoting care for the local community.

The event was organised jointly by the Hong Kong Cosmetics Association and the IFA, echoing the World Health Organization's promotion of the Global Network for Age-friendly Cities and Communities.

Po Leung Kuk – Elderly Home Visit

Sa Sa has been a corporate sponsor and provided volunteer teams for elderly home visits for many years. This year, Sa Sa volunteers made additional efforts and participated in a total of three visits, spread across three key Chinese festivals. For each visit, volunteers brought with them not only festival gifts from Po Leung Kuk, but also words of warmth and supportive care.

Winter Solstice visit, December 2017

Launch ceremony and Tuen Ng Festival rice dumpling giveaway, May 2017

Mid-Autumn Festival visit with mooncake giveaway, September 2017

Care for the Underprivileged and Poor – Creating Harmony in Society

Recognising that many families in Hong Kong and China are still living below the poverty line, Sa Sa worked with many organisations during the year to provide poverty alleviation and social welfare solutions to individuals in need.

The Community Chest – Serving those in need

In recognition of its work in helping the needy, Sa Sa continued to play an active role in supporting the Community Chest this year, both through donations and through participation in key programmes, including:

- "Community for the Chest" Television Show
- Hong Kong & Kowloon Walk for Millions

Sa Sa volunteers supporting the Hong Kong & Kowloon Walk for Millions

Po Leung Kuk – Instilling the Less Fortunate With Hope

Po Leung Kuk is a multi-faceted Charity Service Provider, serving a cross-spectrum of the underprivileged in Hong Kong for over 140 years. During the year, Sa Sa was an active volunteer for many events, including sponsoring the Po Leung Kuk Charity Walk, the Po Leung Kuk Charity Run, the Support for Po Leung Kuk Flag sale, and the Po Leung Kuk Gala Spectacular 2018.

Sa Sa Team at Po Leung Kuk Charity Run

Sa Sa Colleagues and family members joining the Po Leung Kuk Charity Walk

Sa Sa Colleagues and family helping out with the Po Leung Kuk flag sale

Heifer International

Heifer Hong Kong was founded in 2000, with the objective of offering a special gift to the underprivileged in China to transform their lives, with livestock often being the chosen gift.

Our support to Heifer over the years has included donations to support the Heifer Race Feed, the Heifer charity dinner and sending a team to take part in the Heifer signature Race to Feed fundraising event.

Sa Sa team at Heifer Race Feed 2017

Empowerment of Youth and Women in Society – Strengthening the Foundations of Our Future

We see our younger generation as the future of our society. In a highly competitive society, providing the right opportunities and challenges for young people to grow is particularly important. The role that women play in society is also a major focus, since women often have so much responsibility for supporting younger family members and for helping with their up-bringing. Women's health and competency are thus particularly important to the family.

IVE Business Administration Discipline – To Build Students' Professional Image

As part of Sa Sa's continuous commitment to nurturing our new generation by building confidence, Sa Sa is supporting the IVE Business Ethics and Etiquette programme. This programme is offered to our Business Administration Discipline Higher Diploma students, providing the students with personal grooming and image building training at Sa Sa's training centre.

We have trained a total of over 1500 in 2017/18 alone. The programme has been further extended this year following a review of the feedback and impact that we created. Our commitment remains to better serve our passionate youngsters as they progress through the education system.

Sports for Hope Talent Search Fundraising Day

Sa Sa supported the Hope event through donations and we also submitted teams to participate in the day itself. The objective of the Fundraising Day was to provide opportunities for individuals to explore their sports potential while also generating funds to support the Sports for Hope Foundation.

Pink Heels Race – Hong Kong Hereditary Breast Cancer Family Registry

To support the Hong Kong Hereditary Breast Cancer Family Registry, Sa Sa sponsored and participated in the Pink Heels Race again this year.

The event was aimed at promoting knowledge and risk awareness of hereditary breast, ovarian and prostate cancers caused by BRCA gene mutation. The Race was also targeted at raising funds for supporting under-served high-risk families to undergo BRCA testing and to benefit from genetic counselling services in the community.

The Hong Kong Girl Guides Association – Empowering Girls and Young Women

In line with the Girl Guides' mission of enabling girls and young women to develop their fullest potential as responsible citizens of the world, Sa Sa has been a committed supporter for many years. A number of Sa Sa executives currently serve on the Board in order to help with the Association's development and strategy for youth empowerment.

Other Youth and Female Programmes

Some of the other youth or female institutes that we supported during the year include:

The Chinese University of Hong Kong	Hong Kong Federation of Women	Scout Association of Hong Kong New Territories Region
The Hong Kong Polytechnic University	Hang Seng Management College	

Community Leadership

In addition to participating in various charity events, our Chairman and Vice Chairman also take active roles in various charities. These include:

Dr Simon Kwok, SBS, JP	Dr Eleanor Kwok, BBS, JP
• Second Vice-president of the Community Chest of Hong Kong (2011–14 and 2016–18) • Honorary President of New Territories Region of the Scout Association of Hong Kong (2016–18)	• Vice President of the Hong Kong Girl Guides Association (since 2012) • Adviser of Po Leung Kuk (2017–2018)

Thinking Ahead

With Charity, Community Involvement and Investment being identified as the key issues by our stakeholders, it is part our endeavour to continue our work in these areas in 2018/19. We support long-term partners such as Po Leung Kuk, Community Chest and various other institutes, and we continue to discover ways to better empower our talents to play a role in supporting our community.

ABOUT THIS REPORT

Unless otherwise specified, the ESG report covers Sa Sa's operations in Hong Kong and Macau only. These markets represent the core of all our operations, contributing more than 80% of Group turnover in the year ended on 31 March 2018. The key stakeholders covered in the ESG Report include talents, customers, suppliers, environment and community only. Coverage relating to our shareholders is covered in other parts of this report.

This report is prepared in accordance with the HKEx ESG Reporting Guide (Guide) under Appendix 27 to the Listing Rules, and has complied with all "Comply or Explain" provisions, covering "General Disclosures" under each Aspect of the Guide and the KPIs in the "Environmental" Subject Area. Reference to relevant KPIs can be found in the HKEx ESG Reporting Guide Content Index (page 102-103)

Feedback

Readers are invited to share comments, suggestions and thoughts on our ESG report or our sustainability performance by filling in the online survey or reaching us at esg@sasa.com

Sustainability Data Statement – Social

	Total headcount[1]			Fulltime employee turnover rate[2]		
	2017/18	2016/17	2015/16	**2017/18**	2016/17	2015/16
By geographic region						
Hong Kong & Macau	**3,061**	3,130	3,152	**4.0%**	3.9%	4.3%
China	**675**	660	656	**7.9%**	7.7%	8.5%
Taiwan	**224**	266	330	**9.0%**	6.4%	7.0%
Singapore	**171**	175	220	**5.7%**	7.1%	5.5%
Malaysia	**642**	616	540	**5.2%**	5.5%	5.5%
By Gender						
Male	**821**	843	846	**4.6%**	5.0%	5.0%
Female	**3,952**	4,004	4,052	**5.2%**	4.8%	5.3%
By Age Group						
Under 26	**1,260**	1,369	1,361	**7.9%**	7.4%	7.7%
26-35	**1,877**	1,910	2,029	**5.0%**	5.0%	5.3%
36-45	**954**	938	911	**3.5%**	3.2%	3.8%
46-55	**527**	515	503	**3.1%**	2.0%	2.1%
Over 55	**155**	115	94	**2.2%**	1.1%	1.4%
By Employment Type						
Full-time	**4,236**	4,281	4,348	**5.1%**	4.9%	5.2%
Part-time/Temporary	**537**	566	550	**–**	–	–
Average Training Hours Per Employee[3]						
Frontline Colleagues	**24.0**	–	–			
Office Colleagues	**2.1**	–	–			
Male	**4.5**	–	–			
Female	**24.6**	–	–			

Data Footnotes:

1 Cover both full-time and part-time/temporary staff.

2 Fulltime employee turnover rate is calculated based on the average monthly fulltime staff departure during the year, divided by the average number of staff at the beginning and end of the year.

3 The training hours reported covers training organized by Training and People Development Department only.

Sustainability Data Statement – Environment

The environmental data covers our operation in Hong Kong and Macau only.

		Unit	2017/18	2016/17[2]	2015/16	Baseline 2014/15
GHG Emission		tCO_2e	**15,867**	**17,216**	**17,916**	**19,498**
Scope 1	Company-owned transport fleet and employee owned vehicles used for business purposes	tCO_2e	151	159	148	137
Scope 2	Purchased electricity used in our offices, logistics centers and stores[3]	tCO_2e	15,303	16,619	17,511	19,063
Scope 3	Business air travel	tCO_2e	85	92	125	143
	Fresh water supply and sewage treatment	tCO_2e	16	17	19	18
	Paper disposal at landfills[4]	tCO_2e	99	88	112	137
	Transport fleet owned by the external logistics operators[5]	tCO_2e	213	242	–	–
Carbon Intensity		kg CO_2e/sqm GFA	225	300	311	363
		kg CO_2e/HK$1m revenue	2,347	2,747	2,858	2,663
Electricity Consumption		MWh	**24,329**	**24,941**	**26,406**	**26,392**
Stores		MWh	19,996	20,919	22,504	23,105
Offices		MWh	1,584	1,623	1,629	1,407
Logistic centers		MWh	2,750	2,399	2,273	1,880
Electricity Intensity		kWh/sqm GFA	345	434	458	491
		kg CO_2e/HK$1m revenue	2,263	2,652	2,793	2,604
Water Consumption		cu.m	**26,495**	**28,495**	**33,514**	**30,691**
Water Intensity		cu.m/sqm GFA	0.38	0.50	0.58	0.57
		kg CO_2e/HK$1m revenue	2.30	2.67	3.03	2.44
Vehicle Fuel Consumption		'000L	**127**	**140**	**54**	**50**
Company-owned transport fleet and employee owned vehicles used for business purposes		'000L	55	59	54	50
Transport fleet owned by the external logistics operators[6]		'000L	72	82	–	–
Vehicle Fuel Efficiency		L/sqm GFA	1.81	2.44	0.94	0.93
		kg CO_2e/HK$1m revenue	54	64	24	19
Vehicle Sulphur Oxides (SOx) Emission[7]		g	**1,915**	**2,115**		
Paper Consumption		kg	**41,544**	**43,176**	**47,771**	**47,056**
		'000 pcs	**8,304**	**8,631**	**9,547**	**9,316**
Paper Use Intensity		pcs/headcount	2,713	2,737	3,028	2,872
		kg CO_2e/HK$1m revenue	15	14	18	19
Business Air Travel		'000 km travelled	**578**	**595**	**804**	**929**
Business Air Travel Intensity		km travelled/headcount	189	190	255	286
		kg CO_2e/HK$1m revenue	13	15	20	20
Carton Box Consumed[8]		'000 pcs	405	410	305	–
Carton Box Collected for Reuse		'000 pcs	286	278	175	–
Shopping Bag Consumption[9]		'000 pcs	2,866	2,646	2,529	2,805
Natural Resources Recycled[10]						
Paper		kg	**20,816**	**24,894**	**24,369**	**18,602**
Plastic		kg	**161**	**102**	**38**	**–**
Aluminum		kg	**102**	**87**	**65**	**–**
General Waste[10]		kg	**25,143**	**26,043**	**23,907**	**–**
Hazardous Waste[11]		kg	–[12]	**1,696**	**3,874**	

Data Footnotes:

1 GHG emissions are calculated in accordance with the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong (2010 Edition) issued by the Electrical and Mechanical Services Department and Environmental Protection Department. Scope 1 and 2 (direct emissions) are calculated for all stores, offices and logistics center in Hong Kong and Macau, while Scope 3 includes indirect GHG emissions from sources not owned or directly controlled by the Company but related to our activities.

2 Previous published data for 2016/17 are restated due to revisions in water consumptions.

3 Emissions associated with electricity purchased are based on latest available emission factors provided by power companies.

4 GHG emissions avoided by recycling of paper have been incorporated.

5 Since 2016/17, we extend the coverage of scope 3 emissions by incorporate GHG emissions resulting from logistics operations carried out by external logistics operators based on the vehicles used to transport the product from our logistics centers to our stores. Hence, the data for 2017/18 and 2016/17 are not directly comparable to data for 2015/16 and 2014/15.

6 Figures from the external logistics operators have been added to the reporting scope since 2016/17.

7 SOx emission was calculated in accordance with the Appendix 2: Reporting Guidance in Environmental KPIs issued by HKEx.

8 The programme was started in July 2015. Hence, the data for 2017/18 and 2016/17 are not directly comparable to data for 2015/16 and 2014/15.

9 The quantity of shopping bag delivered at stores in Hong Kong only with respect to the levy on plastic shopping bags under the Product Eco-responsibility Ordinance (Cap. 602).

10 Cover offices only.

11 Surplus products containing chemical waste as defined in Waste Disposal (Chemical Waste) (General) Regulation (Cap. 354C).

12 The quantity of hazardous waste generated in 2017/18 did not reach the threshold for processing.

HKEx ESG Reporting Guide Content Index

Subject Areas, Aspects, General Disclosure and KPIs	Description	Reference/Explanation
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	P.84, 88-92 Environmental Policy
KPI A1.1	The types of emissions and respective emissions data	P.89-90, 101
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	P.89-90, 101
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	P.88, 101 Only partially comply. With explanation in P.88
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity	P.88-89, 101 Only partially comply. With explanation in P.88
KPI A1.5	Description of measures to mitigate emissions and results achieved	P.89-92
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	P.88-89
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources including energy, water and other raw materials	P.84, 88-92 Environmental Policy
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	P.90, 101
KPI A2.2	Water consumption in total and intensity	P.89, 101
KPI A2.3	Description of energy use efficiency initiatives and results achieved	P.90-91
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	P.89
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	P.88-89, 101 Main wrapping and packaging material occurring inside Sasa premise has been reported, covering carton boxes used by logistic and shopping bags. Further assessment of packaging boundary this year, on the materiality of clear packaging materials, such as plastic bags for display, festival packaging and other bottles used in up-stream of the supply chain.
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	P.84, 92-93 Environmental Policy
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	P.92-93
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	P.66, 73 Employment Policy
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	P.68, 100
KPI B1.2	Employee turnover rate by gender, age group and geographical region	P.100
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	P.66, 75 Health & Safety Policy
KPI B2.1	Number and rate of work-related fatalities	P.75
KPI B2.2	Lost days due to work injury	P.75
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	P.75

Subject Areas, Aspects, General Disclosure and KPIs	Description	Reference/Explanation
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	P.66-67, 69-72 Employment Policy; Training and People Development Policy
KPI B3.1	The percentage of employees trained by gender and employee category	N/A
KPI B3.2	The average training hours completed per employee by gender and employee category	P.100
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	P.73 Employment Policy
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	P.73 Employment Policy
KPI B4.2	Description of steps taken to eliminate child and forced labour practices when discovered	In 2017/18, no such practices were discovered in our operations
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	P.76, 82-83 Responsible Product and Supply Chain Policy
KPI B5.1	Number of suppliers by geographical region	P.82
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	P.92
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	P.76, 82-83 Responsible Product and Supply Chain Policy
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	P.82
KPI B6.2	Number of products and service related complaints received and how they are dealt with	P.79
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	P.83
KPI B6.4	Description of quality assurance process and recall procedures	P.83
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	P.83
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	P.74
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	N/A
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	P.74
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	P.95 Environmental, Social and Corporate Governance Policy
KPI B8.1	Focus areas of contribution	P.95-99
KPI B8.2	Resources contributed to the focus areas	P.95-99

INVESTOR RELATIONS REPORT

Effective and Two-way Communications

The Group is committed to fostering productive and long-term relationships with shareholders, individuals and institutions (collectively named as "Shareholders"), and the investment community at large, through effective two-way communication channels.

Sa Sa's communication strategy is to ensure that information about and from Sa Sa is delivered on a timely, transparent and non-exclusionary basis. We strive to be responsive to the enquiries of the investment community by being easily accessible and responding in a timely manner. We endeavour to ensure that all information published is factual and presented in a clear and balanced manner, disclosing both positive and negative information objectively, so that the investment community can make informed investment decisions.

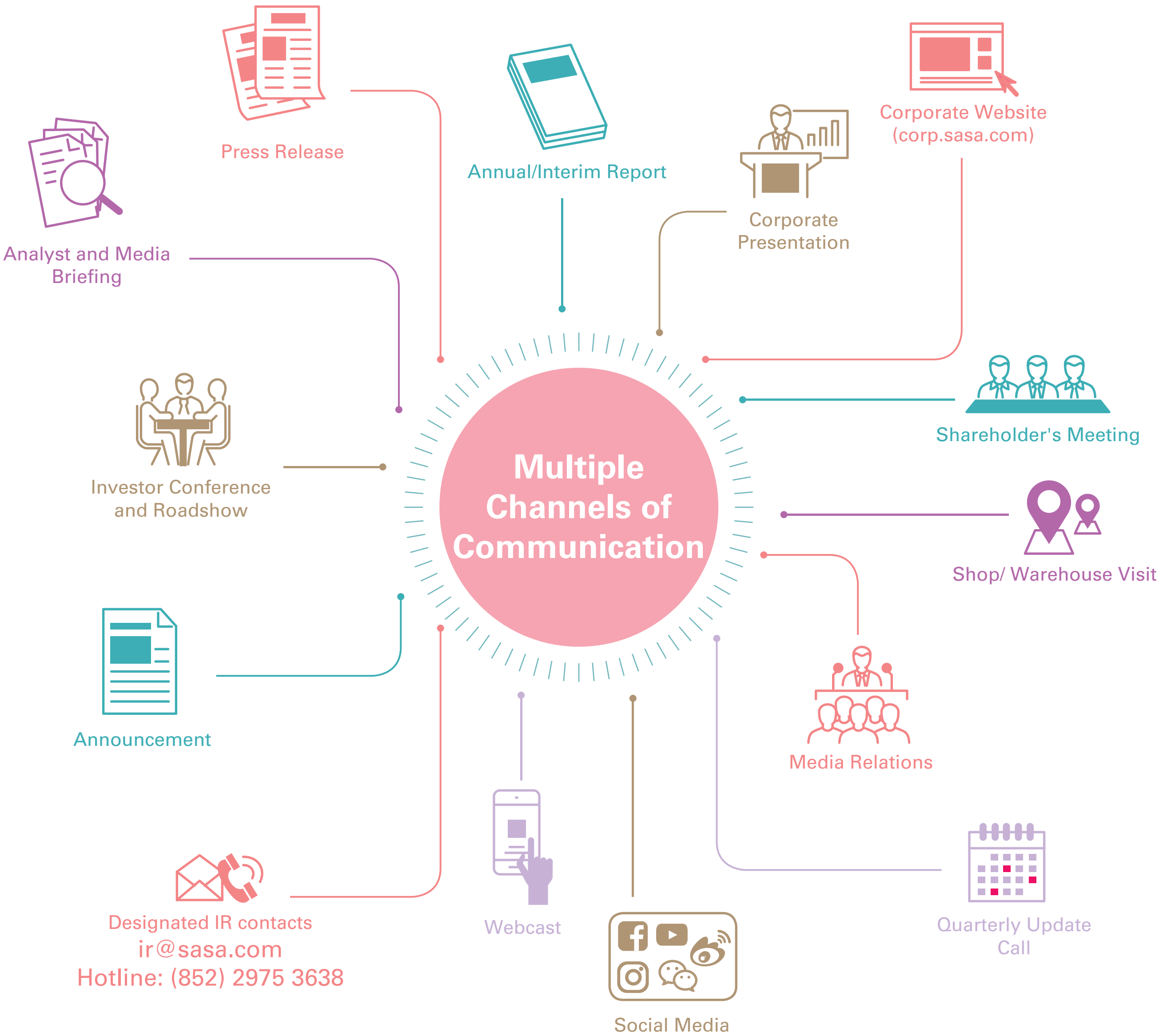
As part of our investor relations function, we recognise that communication has to be conducted in both directions and so to this end, we also collect feedback from investors and analysts for the attention of executive management and the Board of Directors. This also helps to formulate our investor relations plan and improve our investor relations practices on an on-going basis.

Shareholders' Communication Policy

To facilitate effective and systematic communications with Shareholders and attain higher standard of investor relations practices, the Board approved and adopted the "Shareholders' Communication Policy" on 19 March 2012, setting out the aims and practices of the Company to have a two-way communication with Shareholders and the investment community. The Policy is available on the Company's website for public reference.

Communication Platforms

As an environment-conscious corporate citizen, the Company encourages Investors to access corporate information and updates via the Company's or the HKEx's website. The Company's website presents a user-friendly interface in English and Chinese, and all Corporate Communications are easily accessible in the "Investor Relations" section following their releases. Information is also released by email to all persons who have requested their names to be added to our contact database. Any person who wishes to be added to this database can do so by sending an email to ir@sasa.com.



Digital IR

Social media has become one of the key communications channels for investors. To embrace social media as a way to share information, our IR team explores different possibilities and receives support from colleagues in setting up dedicated accounts to engage with investors. Commencing with the financial results announcement for the year ended 31 March 2018, we provided QR code for investors to download the annual results presentation materials during the analyst briefing.

Investor Relations Activities

The Company is highly supportive to investor relations function, our Executive Directors, Director of Corporate Communications and Investor Relations and designated representatives interact regularly with the market in a variety of ways in order to facilitate a two-way communication between the Company, Shareholders and the investment community. The Company upholds the principal of Non-Selective Disclosure for price-sensitive information. Historical financial information, operational data, corporate strategies, industry update and the outlook of the Company are available to the public via the Company's website and the HKEx's website. The Company communicates with the investment community and shareholders based on largely publicly available information.

Institutional Investors

Through platforms including roadshows (both domestic and international), results briefings, investor meetings, investor conferences, company visits, teleconferences and emails, we made frequent contact with analysts, fund managers and investors during the year:

- Proactive participation in major conferences and non-deal roadshows in Hong Kong and across countries in Asia, Europe and North America.
- Interim and Annual Results Analyst Presentation with webcast for those who cannot attend.

Retail Investors

The Company also greatly values the support from our retail investors. During the year, series of initiatives were adopted to facilitate better understanding by retail investors of the operations and outlook of the Group, as well as to provide them easier access to the management and investor relations personnel.

Communication with Sell-side Analysts

The Group has also maintained continuous dialogues with many sell-side analysts of securities research institutions, of which 18 have already covered our company. During the year, a total of over 150 research reports covering Sa Sa has been published by securities firms in Hong Kong market.

Annual General Meeting 2017


2017/18 Annual Results Analyst Presentation

Investor Relations Activities Analysis

Close Engagement with Institutional Investors

10
Major conferences
(FY 2016/17: 14)

12
Non-deal roadshows
(FY 2016/17: 8)

115
Investor participants for Annual Results Analyst Presentation
(FY 2016/17: 91)

62
Investor participants for Interim Results Analyst Presentation
(FY 2016/17: 77)

Frequent Contacts with Investment Community

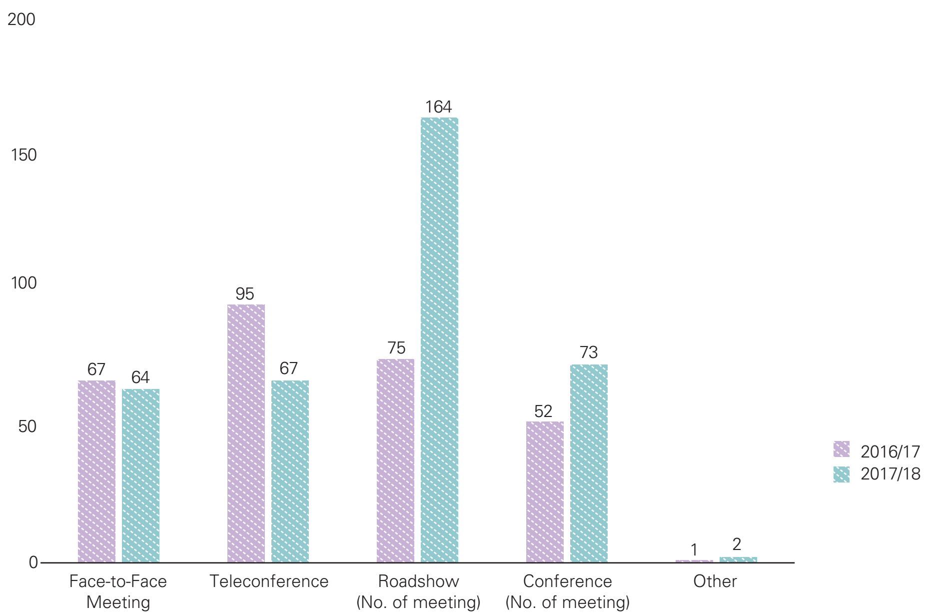
>1000
Analysts, fund managers and Institutional investors
(FY 2016/17: Over 900)

18
Analysts covering Sa Sa
(FY 2016/17: 23)

>150
Research reports
(FY 2016/17: Approximate 130)

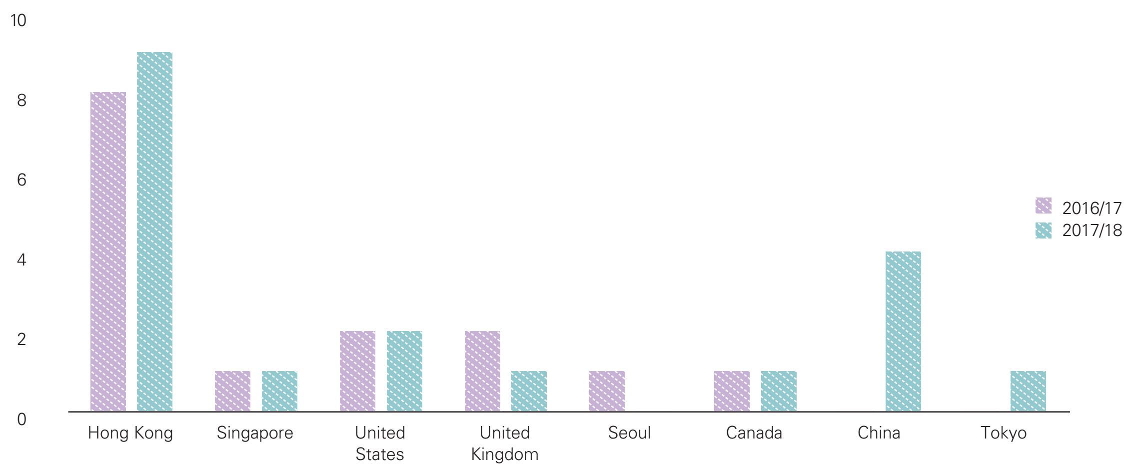
- A designated enquiry hotline (852) 2975 3638 has been launched for the investment community including retail investors.
- A separate Q&A section for retail investors is arranged in our AGM.

No. of Event by Type



Roadshow and Conference

FY2017/18	Event	Organiser	Location
Q1	Hong Kong and China Corporate Day	Citi	Hong Kong
	Post-results Roadshow	CLSA	United Kindom
	Post-results Roadshow	Daiwa	Tokyo
	Post-results Roadshow	DBS Vickers	Singapore
	Post-results update	Deutsche Bank	Hong Kong
Q2	Non-deal Roadshow	CIBC	Canada
	Non-deal Roadshow	Maybank	Malaysia
	Non-deal Roadshow	DBS Vickers	United States
	Non-deal Roadshow	Fubon	Taiwan
	Greater China Conference	Goldman Saches	Hong Kong
Q3	China Consumer Corporate Day	Morgan Stanley	Hong Kong
	Post-results update	Deutsche Bank	Hong Kong
Q4	Roadshow	TF Securities	Beijing
	Eighth Annual Hong Kong Investor Summit	Morgan Stanley	Hong Kong
	Hong Kong/China Consumer 1x1 Forum 2018	J. P. Morgan	Hong Kong
	Hong Kong & China Corporate Day 2018	Citi	Hong Kong
	Roadshow	TF Securities	Shanghai



Note: *Bar in blue: Number of conference and post-results non-deal roadshow participated for FY2017/18.*
Bar in purple: Number of conference and post-results non-deal roadshow participated for FY2016/17.

Communication Initiatives for The Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect Programmes

Sa Sa has been a constituent stock in the Hang Seng Composite MidCap Index for seven consecutive years and became a qualified stock in the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect Programme, and is open for trading by investors in Mainland Chinese stock market starting from November 2014 and December 2016 respectively.

Prior to the launch of the Shanghai-Hong Kong-Stock Connect and Shenzhen-Hong Kong Stock Connect programme, the management already communicated with the Board of Director to prepare Sa Sa for the possible initiatives for these programmes. Since the launch of the programmes, while closely co-operating with the Mainland Chinese securities firms, the Group has also conducted targeted communications with private investors from Mainland China through investor days, meetings and public relations efforts in order to increase our brand awareness.

During the year, in order to arrange targeted investor activities for our existing and potential shareholders, we have been closely monitoring the shareholding and geographical distribution of our Mainland Chinese private investors. According to the Central Clearing and Settlement System (CCASS) operated by Hong Kong Securities Clearing Company Limited 0.85% of the Company's total issued capital was held by Mainland Chinese investors through China Securities Depositor and Clearing Limited as of 31 Mar 2018.

Shareholders' Meetings

Shareholders' meetings are held to ensure Shareholders can participate in or appoint proxies to hear from and put questions to Directors regarding the Group's performance, and to vote for resolutions set out in the Annual General Meeting ("AGM") Notice, which would be proposed at the AGM for consideration and, where appropriate, approval by the Shareholders.

The last shareholders' meeting was the AGM held at Sa Sa Supreme, 2nd Floor, Leighton Centre,77 Leighton Road, Causeway Bay, Hong Kong on 29 August 2017, for approval of, among others, the re-election of retiring Directors and the general mandates to issue and purchase shares. Particulars of the major items considered at the AGM are set out in the circular dated 14 July 2017. All proposed ordinary resolutions were passed by way of poll votings at the AGM.

The 2018 AGM will be held at 16th Floor, V Point, No. 18 Tang Lung Street, Causeway Bay, Hong Kong, on 3 September 2018 (Monday) at 12:30 p.m.

Shareholders' Rights

Shareholders can make a request to convene a general meeting on the written requisition of any two or more Shareholders or on the written requisition of any one Shareholder which is a registered clearing house, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company, according to the procedures set out in "How Shareholders Can Convene an Extraordinary General Meeting" which is available on the Company's website for public reference.

Shareholders also have opportunities to put enquiries to the Board at any general meetings held by the Company. Enquiries may also be made at any time by email to Investor Relations at ir@sasa.com or by writing to 8th Floor, Block B, MP Industrial Centre, 18 Ka Yip Street, Chai Wan, Hong Kong.

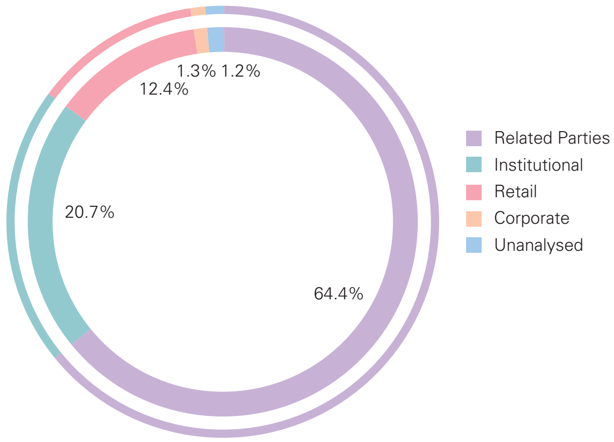
Towards the end of each general meeting held by the Company, there are opportunities for Shareholders to raise questions or put forward proposals. Shareholders may also contact Investor Relations at ir@sasa.com or by writing to the same address mentioned above if they have proposals they would like the Company to consider at any other time. Shareholders who wish to propose a formal resolution for consideration at Shareholders' meeting should convene an Extraordinary General Meeting by following the procedures mentioned in the first paragraph of this section.

Shareholding Structure

According to the Company's share registrar, Sa Sa had 1,550 registered shareholders as at 31 March 2018. This number does not include individual Shareholders and corporations that have an indirect interest through intermediaries including custodians and nominees, investment funds and the Central Clearing and Settlement System (CCASS) operated by Hong Kong Securities Clearing Company Limited, and therefore, the Company's actual number of Shareholders would be larger.

Our largest beneficial shareholders are Dr KWOK Siu Ming Simon, Chairman and CEO, and Dr KWOK LAW Kwai Chun Eleanor, Vice-chairman, both Executive Directors of the Company, who have a combined shareholding of 64.4%*. The 35.6% remaining proportion of the shares are held by a wide range of institutional investors across North America, Europe and Asia, and a considerable number of retail investors.

Total Shareholder Composition



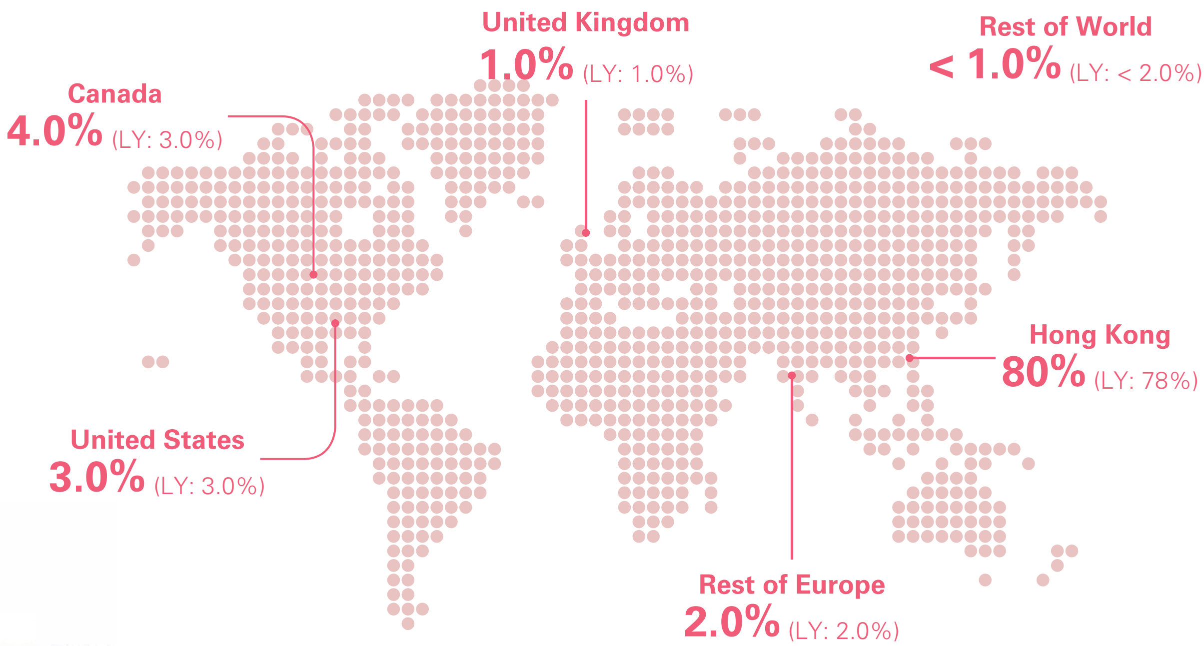
* *Please refer to pages 149 to 164 in the "Report of the Directors" of this Annual Report for details of the Directors' and Chief Executive's shareholding interests.*

During the year, the Company engaged NASDAQ OMX Group, Inc. to conduct "Shareholder Identification" which was able to analyse shares of the Company as at 29 March 2018, representing 98.8% of the total issued capital.

According to NASDAQ OMX's report, the Group's institutional shareholder base was composed of firms spanning across 19 countries, and accounted for 20.7% of the Company's total issued capital as at 29 March 2018, while the low turnover orientation# accounted for 72.6% of the total institutional shareholders.

Average holding period exceeds 24 months.

Total Shares by Geography



Shareholders Information

Financial Calendar

FY 2017/18 interim results announcement	23 November 2017
Closure of register of members	8-11 December 2017 (both days inclusive)
Payment of 2017/18 interim dividend	23 January 2018
FY 2017/18 annual results announcement	21 June 2018
For determining shareholders' eligibility to attend and vote at AGM	
Closure of register of members	31 August – 3 September 2018 (both days inclusive)
Record Date for eligibility to attend and vote at AGM	3 September 2018
Annual General Meeting	3 September 2018
For determining entitlement to the final and special dividends (if payable)	
Closure of register of members	7-10 September 2018 (both days inclusive)
Record Date	10 September 2018
Proposed payment Date of FY2017/18 final and special dividends (if payable)	On or around 24 October 2018
FY 2018/19 interim results announcement	Mid to late November 2018

Share Listing

First listed on the Stock Exchange of Hong Kong	13 June 1997

Listing and Stock Codes

Ordinary Shares	
The Stock Exchange of Hong Kong	178
Bloomberg	178 HK Equity
Reuters	0178.HK
ADR Level 1 Programme	SAXJY

Stock Information

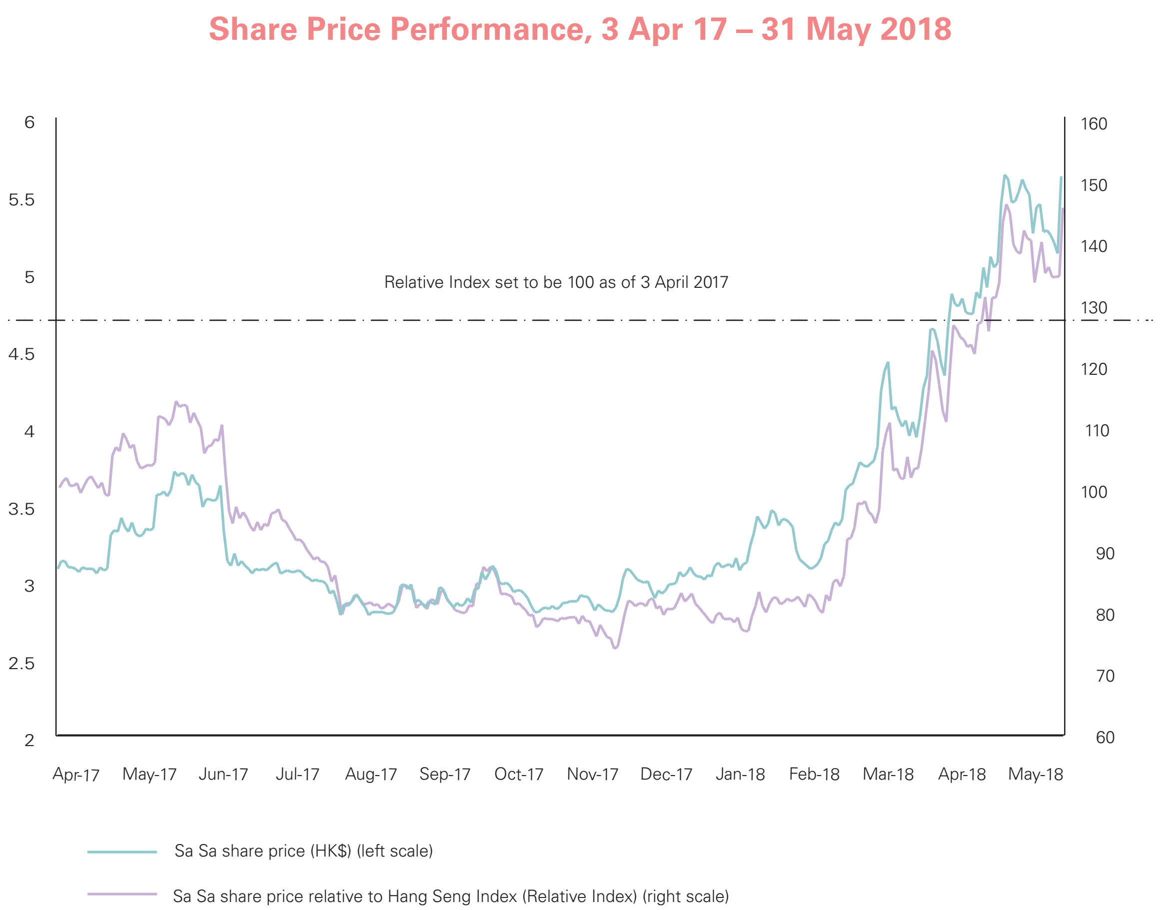
Board lot	2,000 shares
Nominal value per share	HK$0.1
Number of ordinary shares issued as at 31 March 2018	3,038,854,398
Public float as at 31 March 2018	Approximately 35%

Share Performance	FY2017/18	FY2016/17
Closing price as at 31 March	HK$4.06 per share	HK$3.06 per share
Highest price during the financial year	HK$4.09 per share	HK$3.69 per share
Lowest price during the financial year	HK$3.89 per share	HK$2.28 per share
Average daily trading volume	5.8 million shares	4.2 million shares
Average daily trading amount	HK$19.0 million	HK$13.2 million

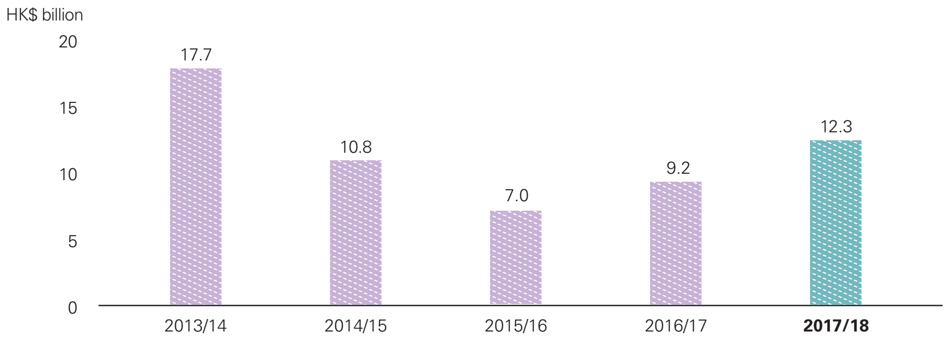
Share Price Performance

Sa Sa's shares have been listed on the Stock Exchange of Hong Kong since 1997, and have been included in the Hang Seng High Dividend Yield Index since June 2015. Sa Sa is currently a constituent member of the Hang Seng Composite MidCap Index as well as the Hang Seng Corporate Sustainability Benchmark Index.

Sa Sa share price performance vs HSI



Market Capitalisation



Note: *Based on closing prices at financial year end (as at 31 March)*

Dividend History

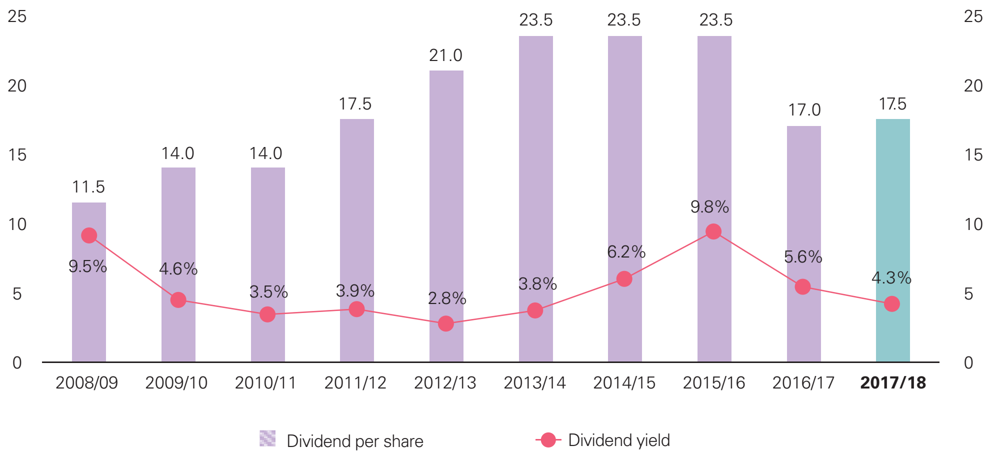
The Group will strive to maintain a consistently high dividend policy, taking into consideration the Group's high return on equity, development plans and cash flow. The decision of the Board also takes into account any special circumstances.

Dividend Per Share (HK cents)

	Basic		Special				
Financial Year	Interim	Final	Interim	Final	Total	Dividend Yield (%)	Dividend Payout Ratio
2017/18	3.50	11.00	–	3.00	17.50*	4.3	120.7%
2016/17	5.00	8.00	4.00	0.00	17.00	5.6	154.9%
2015/16	5.00	9.00	4.00	5.50	23.50	9.8	176.1%
2014/15	5.00	9.00	4.00	5.50	23.50	6.2	79.7%
2013/14	4.50	9.00	4.50	5.50	23.50	3.8	71.4%

* *During the year, the final basic and special dividends and interim basic dividends are payable in cash, with a scrip dividend alternative. As an incentive for shareholders to reinvest their dividends into the Company's shares, a 5% discount market price (being the average value of the closing prices of one Shares on the Stock Exchange for the five consecutive trading days up to and including the record date) is offered to eligible shareholders who elect to receive the dividends in scrip.*

Dividend Per Share and Dividend Yield



Note: *Dividend yield is calculated based on the share price of the Company as at 31 March of the respective years.*

From Commitment to Recognition

Sa Sa always persists in upholding investor relations and corporate governance excellence. Our commitment to best-practice governance standards and transparent reporting has been granted recognitions by a number of regional and international accolades during the year.

Hang Seng Corporate Sustainability Benchmark Index

- 2017–2018 constituent member

HKIRA 4th Investor Relations Awards 2018 – Small-Cap Category

- Overall Best IR Company
- Best IR Company
- IR Awards for 3 years
- Best IR by Chairman/CEO (Dr Simon Kwok, Chairman and Chief Executive Officer)
- Best IR by CFO (Dr Guy Look, CFO and Executive Director)
- Best Investor Meeting

IR Magazine Awards – Greater China 2017

- Certificate for Excellence in Investor Relations

Hong Kong Management Association – Best Annual Reports Awards 2017

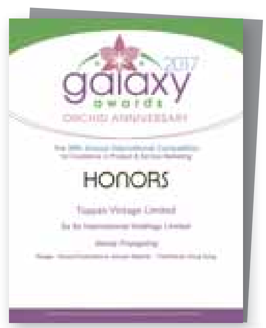
- Honourable Mention 'General' Category

Mercomm, Inc. – International ARC Awards 2017 (The Group's 2015/16 Annual Report)

- Silver Award in the category of Cover Photo/Design: Beauty Products
- Bronze Award in the category of Traditional Annual Report: Beauty Products
- Honours Award in the category of Traditional Annual Report: Other/ Misc. Corporation

Mercomm, Inc. – Galaxy Awards 2017 (The Group's 2016/17 Annual Report)

- Honours Award in the category of Bound Publications: Annual Reports – Traditional: Hong Kong



Golden Hong Kong Stocks Awards 2017

- Most Valuable Company in Consumer and Service Sector

For details of the full list of recognitions, please refer to the "Awards and Recognition" section on pages 12 to 21 of this Annual Report.

We treasure every support from you
We will try our best endeavour as return

THANK YOU

Investor Relations Enquiries and Communications

For enquiries regarding investor relations or corporate information, please contact:

Corporate Communications and Investor Relations Department
Sa Sa International Holdings Limited
8th Floor, Block B, MP Industrial Centre, 18 K a Yip Street, Chai Wan, Hong Kong
Investor relations hotline: (852) 2975 3638
Fax: (852) 2595 0797
Email: ir@sasa.com

Shareholders Service and Enquiries

For enquiries about your shareholding including change of name or address, transfer of shares, loss of share certificates or dividend cheques, registrations and requests for annual/interim report copies, please contact the Company s branch share registrar:

Tricor Abacus Limited
Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
Tel: (852) 2980 1333
Fax: (852) 2810 8185
Email: is-enquiries@hk.tricorglobal.com
Website: www.tricoris.com

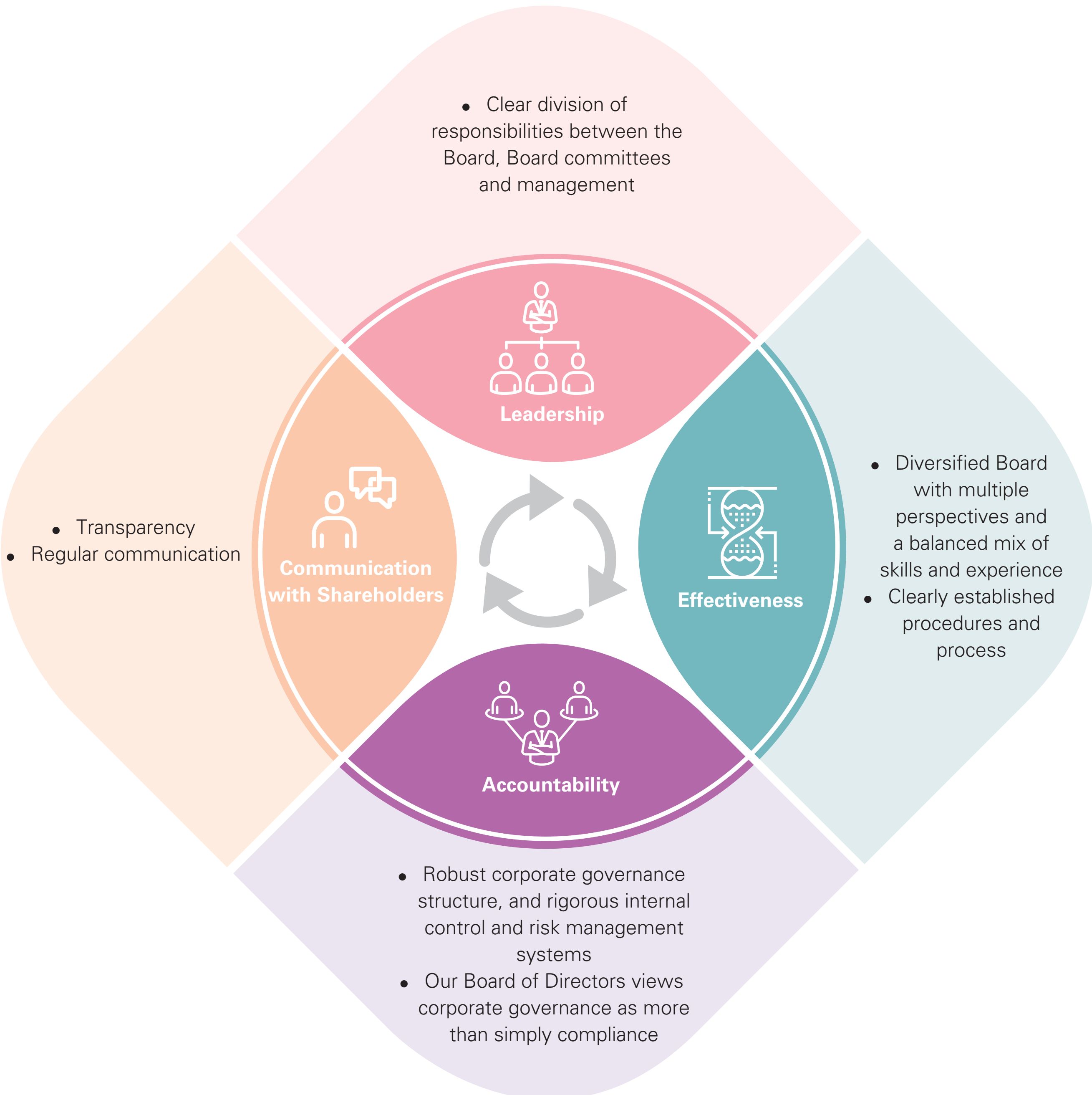
Shareholders can manage their shareholding online by creating an online Member Account with Tricor Investor Services Centre or use their online Holding Enquiry Services to enquire about holding details, such as company and personal particulars as well as share balance. For details, please visit www.tricoris.com.

CORPORATE GOVERNANCE REPORT

"We recognise that high standards of corporate governance are fundamental to delivering strategic goals, building sustainable shareholder value and balancing stakeholders' interests. We are therefore committed to maintaining the highest standards of corporate governance."

Dr Simon Kwok, *SBS, JP*
Chairman and Chief Executive Officer

Corporate Governance at Sa Sa



Highlights in Corporate Governance Practices for 2017/2018

Below are the highlights of our ongoing initiatives for the development of our corporate governance practices during the year ended 31 March 2018:

Strategic Planning

The independent non-executive directors and non-executive director spent three full day meeting with the executive directors and members of the management team to consider and determine (i) the strategic direction for the next 3 to 5 years; (ii) the execution plan for the coming year; and (iii) the budget for the year ending 31 March 2019. The strategic framework was formed through a two-way flow of information between the board and management to ensure alignment.

Active Participation of Directors

Our directors actively participated in board and board committee meetings during the year. The attendance rate of the directors for all board meetings and meetings of the audit, remuneration and nomination committees was 100%.

Nurturing a Culture of Good Corporate Governance

Corporate governance starts with the tone at the top but awareness among staff is equally important. We continued to provide briefings to new-joiners and management trainees on issues relating to environmental, social and corporate governance with a view to nurturing good governance behaviour from the day our colleagues join Sa Sa.

Enhancing Directors' Competence through Continuous Developments

In addition to regulatory and industry and market related updates, our directors regularly attended external seminars and internal training. A training on cyber-security was organised for the directors during the year for them to keep abreast of this emerging risk, and a presentation on Hong Kong Financial Reporting Standards HKFRS 16 for leases was organised for members of the audit committee for them to make early preparation for this important new development.

Compliance with Corporate Governance Code (CG Code)

The CG Code is the standard against which we measure ourselves. Throughout the year ended 31 March 2018, we have complied with all but one of the code provisions in the CG Code. We have also exceeded the CG Code in the following aspects:

- ✓ Board evaluation on the effectiveness of the Board has been conducted.
- ✓ Majority of our Board members are non-executive directors.
- ✓ We have formal criteria for the nomination and re-appointment of directors.
- ✓ We issue a formal letter of appointment for non-executive directors. The letter deals with a range of matters regarding a director's appointment and responsibilities.
- ✓ All members of our Audit Committee are independent non-executive directors.
- ✓ The Audit Committee held two private meetings with the external auditor without the presence of any of our executive directors during the year.
- ✓ In addition to the Audit Committee, Nomination Committee and Remuneration Committee, we have established an Executive Committee and a Risk Management Committee, each with specific written terms of reference setting out clearly the individual committee's duties and authorities.
- ✓ The Board has established terms of reference, with a clear division of roles with management. These set out the Board's responsibility for formulation of strategy and its monitoring role.
- ✓ We have included a separate Enterprise Risk Management Report, which sets out Sa Sa's risk management framework and how Sa Sa manages the Group's material risks in our annual report.
- ✓ We have a formal Environmental, Social and Corporate Governance Policy and have published an Environmental, Social and Governance Report since 2012.
- ✓ We voluntarily announced our unaudited operational information for all four quarters of the financial year as well as sales updates of our retail business in Hong Kong and Macau during the Chinese New Year, Labour Day Holiday, the National Day Golden Week Holiday, and the first two months of 2018.
- ✓ Among other policies, we have a Whistleblowing Policy for employees, a Gifts and Entertainment Policy, and Guidelines on Prevention of Bribery Ordinance, all of which are published on our corporate website.
- ✓ We give more than 30 clear business days' notice for our annual general meetings.
- ✓ To further increase efficiency of communication, protection of the environment and to save costs for the Company, arrangements have been made since 2009 to ascertain shareholders' preferences as to the means of receiving corporate communications and shareholders are encouraged to elect for electronic communications.

In respect of the one deviation from the CG Code, the roles of the chairman and chief executive officer are currently held by the same individual, namely, Dr KWOK Siu Ming Simon. The division of responsibilities between the two roles are, however, clearly established and set out in writing in the respective terms of reference for the chairman and the chief executive officer. Dr Kwok, being one of the founders of the Group, has superior knowledge of our business and is a veteran of the retail industry. The Board is therefore of the view that vesting the roles of chairman and chief executive officer in the same person facilitates the execution of the Group's business strategies and maximises the effectiveness of our operations. We will, nevertheless, periodically review the Board's structure going forward in light of the evolving needs of the Group and consider segregation of the two roles if and when appropriate.

Our Corporate Governance Structure

Shareholders

Board

Board Committees

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Executive Committee
- Risk Management Committee

Management

Leadership

Composition of the Board and Board Committees

Board*

Dr KWOK Siu Ming Simon (Chairman and Chief Executive Officer)
Dr KWOK LAW Kwai Chun Eleanor (Vice-chairman)
Dr LOOK Guy (Chief Financial Officer)

Ms LEE Yun Chun Marie-Christine
Ms TAM Wai Chu Maria
Ms KI Man Fung Leonie
Mr TAN Wee Seng

Audit Committee

Mr TAN Wee Seng (Chair)
Ms TAM Wai Chu Maria
Ms KI Man Fung Leonie

Nomination Committee

Ms TAM Wai Chu Maria (Chair)
Dr KWOK LAW Kwai Chun Eleanor
Ms KI Man Fung Leonie

Remuneration Committee

Ms KI Man Fung Leonie (Chair)
Dr KWOK LAW Kwai Chun Eleanor
Ms TAM Wai Chu Maria

Executive Committee

Dr KWOK Siu Ming Simon (Chair)
Dr KWOK LAW Kwai Chun Eleanor
Dr LOOK Guy

Risk Management Committee

Dr KWOK Siu Ming Simon (Chair)
Dr KWOK LAW Kwai Chun Eleanor
Dr LOOK Guy

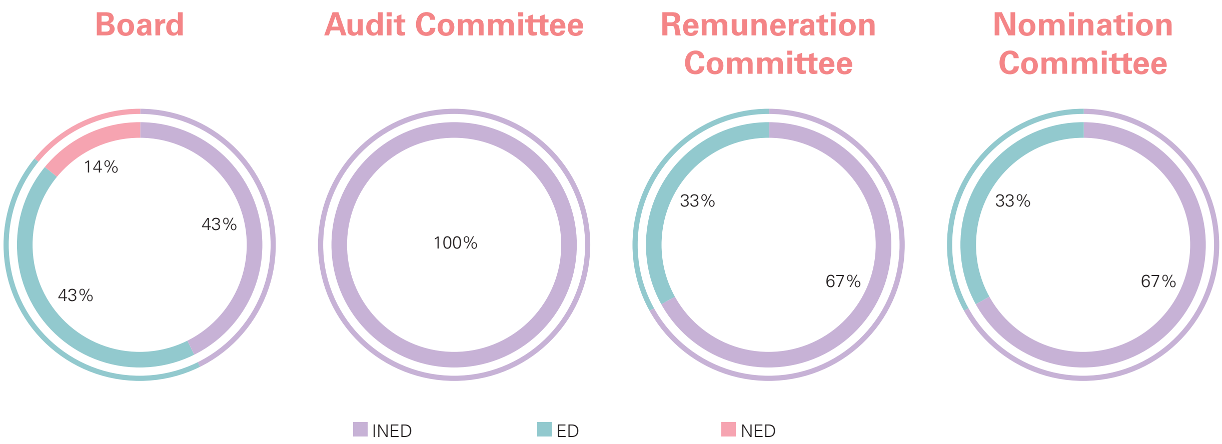
Note: *Dr LEUNG Kwok Fai Thomas was an independent non-executive director, chairman of the Remuneration Committee, member of the Audit Committee and member of the Nomination Committee until 29 August 2017.

The Board has a balanced composition, comprising three executive directors, one non-executive director and three independent non-executive directors. This composition well fulfils the parameters of the CG Code, which requires listed issuers to have independent non-executive directors representing at least one-third of the Board.

The biographical details of each of our directors, including the relationship between the Board members, are set out on pages 54 to 59 of this annual report. An updated list of our directors, identifying their respective roles and functions together with their biographical details, is displayed on the Exchange's website and our corporate website.

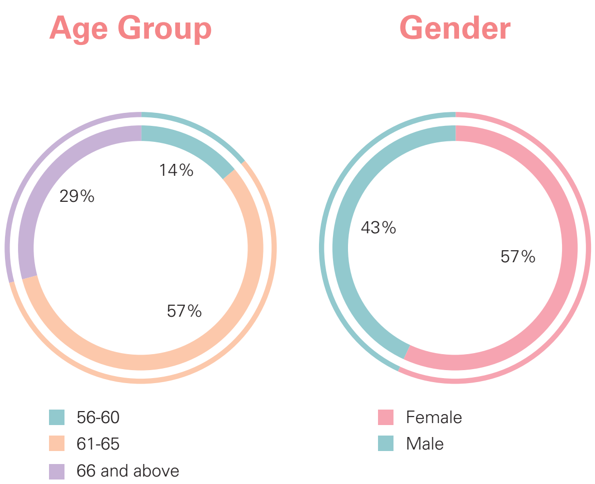
Independence

We have a strong element of independence on the Board, providing independent and objective oversight on strategic issues and performance matters.



Some of our independent non-executive directors have served as our Board members for more than nine years, which could be relevant to the determination of independence. However, it is well recognised that an individual's independence cannot be determined arbitrarily on the basis of a set period of time. In assessing the independence of INEDs, the Board and the Nomination Committee consider the individual directors' character and judgement as demonstrated by their commitment and contribution to the Board during their years of service and other relevant factors. We believe that the independent non-executive directors who have served more than nine years, namely Ms TAM Wai Chu Maria and Ms KI Man Fung Leonie, despite their length of service, provide invaluable expertise, experience, continuity and stability to the Board. We are confident the Company has benefited greatly from their contribution and the valuable insights derived from their in-depth knowledge of the Company. The Board is of the view that each of our independent non-executive directors meets the independence guidelines set out in Rule 3.13 of the Listing Rules and that they are able to continue to fulfil their roles as required.

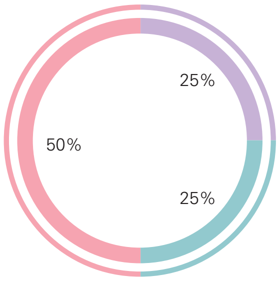
Board Diversity



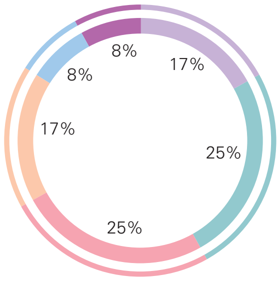
We believe that in an increasingly complex and fast changing business environment, the diversity of the Board helps foster different perspectives and a varied Board composition means that the Board is more alert to different opportunities and risks. A strategy that aims at Board diversity leads to a greater knowledge base, and more creativity and innovation within the Board. This helps us to better understand the evolving needs of our customers, increase our sensitivity to changes in the competitive landscape, optimise technology advancement, better manage risks and capitalize on opportunities. All these factors generate higher growth.

We have a highly diversified Board in terms of gender, academic background, nationality, professional experience, and industry experience. We have in place our own Board Diversity Policy setting out our approach towards achieving Board diversity. This policy is subject to review on a regular basis and can be found on our website.

Length of Services of Non-executive Directors



Board Member's Expertise



We have a high percentage of women sitting on our Board. 57% of our Board members are female.

In addition to the appointment of women as directors, our current Board consists of members from a diverse background with a balance of skills and experience to oversee the business of the Group. They include persons with a wealth of practical experience in the retail industry, legal profession, accountancy profession, marketing, management, human resources and the financial industry.

Over 40% of our directors have either obtained a PhD or have been conferred an Honorary Doctorate degree. We have directors who are not of Chinese nationality, and also directors with in-depth knowledge of China, a market on which we place great emphasis.

In order to achieve an optimum composition of the Board, candidates with different skills, talents, cultural and educational background, professional experience, knowledge, gender, age and other qualities may be considered as members of the Board by the Nomination Committee.

We will continue to review our Board composition and diversity regularly to ensure that we have the right balance as we move forward. However, Board appointments will continue to be made on the basis of merit and the potential contributions that selected candidates will offer to the Board.

Appointment and Re-election of Directors

All our non-executive directors (including INEDs) are appointed for a specific term of not more than three years. Newly appointed directors are required to offer themselves for re-election at the first AGM following their appointment. Under the articles of association of the Company, at least one-third of the Directors are subject to retirement by rotation at the AGM at least once every three years. If so recommended by the Nomination Committee, retiring Directors who are eligible may offer themselves for re-election by the shareholders at the AGM at which he or she retires.

We confirm that all directors' appointments and re-elections were conducted in compliance with the articles of association of the Company and the CG Code for the period under review.

Dr KWOK Siu Ming Simon, Dr KWOK LAW Kwai Chun Eleanor and Ms KI Man Fung Leonie will retire from office by rotation at the AGM to be held on 3 September 2018. Dr KWOK Siu Ming Simon, Dr KWOK LAW Kwai Chun Eleanor and Ms KI Man Fung Leonie, being eligible, will offer themselves for re-election. Further details will be set out in the circular to be dispatched to the Shareholders with the notice of the AGM.

Clear Division of Responsibilities

Between Chairman and Chief Executive Officer

Although the positions of the chairman of the Board and CEO are currently held by the same individual, Dr KWOK Siu Ming Simon, their respective responsibilities are clearly established and set out in the Terms of Reference for the chairman and the CEO, which are available on our website.

In his capacity as chairman of the Board, Dr Kwok has met with all the non-executive directors (including INEDs) without the presence of the executive directors every year since 2012. In his capacity as the Chief Executive Officer of the Company, Dr Kwok meets with the other executive directors and the management team regularly to ensure that issues requiring attention are handled efficiently and in a timely manner.

Chairman	CEO
Board Effectiveness	**Management of Group's Business**
• Provides leadership to the Board to enable it to discharge its functions effectively.	• Provides leadership to the management. • Ensures effective implementation of the strategies and objectives agreed by the Board.
Corporate Goals and Governance	
• Takes primary responsibility for ensuring that good corporate governance practices and procedures are established.	• Operates the day-to-day management and business of the Group.
• Ensures that the Board and management are committed to the maintenance of good corporate governance practices and procedures.	• Meets with the management regularly to discuss and develop strategic operating plans that reflect the objectives of the Board and to maintain optimum operational performance.
• Ensures that the Chief Executive and the management effectively implement the corporate goals and strategies formulated by the Board.	• Leads management in the design, implementation and monitoring of the risk management and internal control systems.

Chairman	CEO
Board Business and Discussion • With the assistance of the Company Secretary, the Chairman: - draws up the agenda for each Board meeting; - ensures that all directors are properly briefed on issues arising at the Board meetings and on all key and appropriate issues in a timely manner; - encourages all directors to make an active contribution to the Board's affairs and takes the lead in ensuring that the Board acts in the best interests of the Company; - encourages directors with different views to voice their concerns, and allows sufficient time for discussion of issues on which the Board can deliberate and reach decisions; - ensures that all directors receive, in a timely manner, meeting materials including supporting analysis and presentation materials; and - promotes a culture of openness and debate, while actively encouraging directors with different views to voice their opinions and be fully engaged in the Board's affairs. **Communication with Shareholders** • Ensures that there is effective communication with shareholders, and that each Director develops and maintains an understanding of the stakeholders' views.	**Quality Information for the Board** • With the support and assistance of the management, provides the Board with high quality information and recommendations to enable informed decisions to be made.

Executive Directors

Our Executive Directors comprise the Chairman/CEO, Vice-chairman and CFO, who form the Executive Committee. The role and responsibilities of and details of work done by the Executive Committee are set out on page 134.

Non-Executive Directors (including INEDs)

Non-Executive Directors (including INEDs) make a positive contribution to the development of the Group's strategy and policies. INEDs also scrutinise the Group's performance through informed insight and independent judgement. They constructively challenge the management, which role is vital to fulfilling the objectives set by the Board. In order to preserve well-balanced governance, the Board has ensured that all members of the Audit Committee are INEDs, the majority of the members of the Nomination and Remuneration Committees are INEDs, and that each committee is chaired by an INED.

The Board and Management

The Board is responsible for the overall conduct of the Group and monitors the performance of the management. The Board delegates and gives clear directions to the management as to their powers of management and the circumstances in which the management should report back or obtain prior Board approval.

Management for the purpose of this corporate governance report includes the executive directors, senior management, departmental heads and department directors. They are responsible for the day-to-day operations, management and administration of the Group under the leadership of the Executive Committee. They also execute and implement strategies and directions determined by the Board.

Their respective responsibilities are clearly established and set out in the Terms of Reference for the Board and management, which is available on our website. The management provides monthly updates to the Board to enable Board members to discharge their duties more effectively.

Members of our management are frequently invited to attend Board meetings to report and engage in discussion with the Board in respect of strategy, budget planning, progress and performance updates. They thereby ensure that the Board has a general understanding of the Group's business so that they can make informed decisions for the benefit of the Group. They are required to answer any questions or challenges posed by the Board. All Board members also have separate and independent access to our management.

In addition to regular Board meetings, seven separate management meetings were held during the year to review, discuss and make decisions on financial and operational matters.

The departmental heads of major business units also met with the Executive Committee on a weekly basis to enhance and strengthen cross-departmental communications and coordination.

Board, Board Committees and Annual General Meeting Attendance

The following table shows the attendance of directors at Board meetings, Board Committee meetings and the shareholders' annual general meeting (AGM) held during the period under review.

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Executive Committee	Risk Management Committee	Annual General Meeting
Executive Directors							
Dr KWOK Siu Ming Simon	6/6	4/4*	1/1*	1/1*	7/7	9/9	1/1
Dr KWOK LAW Kwai Chun Eleanor	6/6	4/4*	1/1	1/1	6/7	9/9	1/1
Dr LOOK Guy	6/6	4/4*			6/7	9/9	1/1
Non-executive Director							
Ms LEE Yun Chun Marie-Christine	6/6						1/1
Independent Non-executive Directors							
Dr LEUNG Kwok Fai Thomas#	3/3	3/3	1/1	1/1			1/1
Ms TAM Wai Chu Maria	6/6	4/4	1/1	1/1			1/1
Ms KI Man Fung Leonie	6/6	4/4	1/1				1/1
Mr TAN Wee Seng	6/6	4/4					1/1
Total number of meetings	6	4	1	1	7	9	1
Average attendance rate of directors^Δ	100%	100%	100%	100%	90.5%	100%	100%

Notes:
Attendance is expressed as the number of meetings attended out of the number of meetings held.

Those marked with an (*) attended as an invitee only.
(Δ) average attendance rate is calculated without the invitees.

Dr LEUNG Kwok Fai Thomas retired as an Independent Non-executive director of the Company with effect from the conclusion of the annual general meeting held on 29 August 2017.

When directors are unable to attend a Board or Board Committee meeting, they have the opportunity beforehand to review the relevant papers and discuss any agenda items or provide comments to share with the Chairman, or Committee Chairman, as appropriate.

Work Done by the Board in the Year Ended 31 March 2018:

Financial Results

- ✓ Approved the annual results and annual report for the year ended 31 March 2017 including the annual results announcement.
- ✓ Approved the interim report and interim results announcement for the six months ended 30 September 2017.
- ✓ Approved the proposal of payment of final dividends for the year ended 31 March 2017 and the interim dividend for the six months ended 30 September 2017.
- ✓ Considered the Quarterly Results.

Strategic Planning and Business

- ✓ Reviewed, discussed and considered the Group's affairs, including strategic plans, financial affairs, progress and updates of business performance and budget summary/proposals (with the presence of management from time to time).
- ✓ Received updates on the Environmental, Social and Governance issues.

Corporate Governance

- ✓ Approved the re-elections of Ms LEE Yun Chun Marie-Christine and Mr TAN Wee Seng at the annual general meeting held on 29 August 2017.
- ✓ Received reports from each of the Audit, Nomination and Remuneration Committees following each committee meeting.
- ✓ Received and considered the report on risk management and internal control systems and the top 10 risks of the Group.
- ✓ Approved the revised the whistleblowing policy.

Model Code for Securities Transactions by Directors

We have adopted our own written policy regarding securities transactions on terms no less exacting than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as specified in Appendix 10 of the Listing Rules (Model Code). We have received confirmation from all directors that they have complied with the policy throughout the period under review.

Directors' and Officers' Insurance

We have maintained an adequate Directors' and officers' (D&O) Liability Insurance, which gives appropriate cover for any legal action brought against directors and officers since 2001. To ensure sufficient cover is provided, we review the Company's D&O insurance policy annually to ensure that the coverage is sufficient and remains appropriate in light of recent changing trends in the insurance market and other relevant factors. The Insurance Policy is available for inspection by the directors upon request. As at today's date, no claim has been made since the Insurance Policy came into effect.

Conflict of Interest

All directors are required to comply with their common law duty to act in the best interests of the Company and to have particular regard to the interests of the shareholders as a whole. Any perceived, potential or actual conflicts of interest between the Group and its directors is to be avoided. The directors are requested to disclose their interests, if any, in any transaction, arrangement or other proposal to be considered by the Board at Board meetings. They are further requested to abstain from voting if any conflicts of interest arise or if they become aware of any perceived or potential conflicts of interest. All declared interests are properly recorded and made accessible by the Board members. Directors have a continuing duty to inform the Board of any changes to these conflicts. No conflicts of interest were declared by the directors in the year under review.

Induction and Continuous Professional Development

We recognise that the provision of ongoing training for existing directors is a major contributor to the maintenance of high corporate governance standards in the Company. We have adopted our own policy on Induction of and Continuous Professional Development for Directors since 2005, which is available on our website. From time to time, the Board has reviews and monitors the implementation of this policy to ensure its effectiveness.

All newly appointed directors are given a comprehensive Induction Handbook to ensure their proper understanding of the Company's operations and business and their awareness of a director's responsibilities and obligations.

To assist the directors in continuing their professional development, we recommend that they regularly attend relevant seminars and courses at the expense of the Company to ensure that their knowledge and skills continue to improve.

During the period under review, in addition to reviewing industry and regulatory updates, the Audit Committee received a presentation on new accounting standards of leases from PwC. In April 2018, all directors attended an in-house training on cyber-security conducted by an external expert in the field. The directors are also kept regularly updated on the latest developments of the Company through various corporate communications, "Sa Sa quarterly newsletters", and press releases. Some of our directors also attend our corporate events such as Sa Sa Ladies Purse Day and Sa Sa Annual Dinner. All directors are required to provide the Company with their training records, and to confirm their respective records on a semi-annual basis.

The chart below summarises the participation of directors in training and continuous professional development during the period under review.

	Types of Continuous Professional Development		
Name of Directors	**Attending directors' trainings, seminars or conferences related to directors' duties or other relevant topics**	**Reviewing legislative or regulatory updates**	**Reviewing information relevant to the Company or its business, attending corporate events or shop visits**
Dr KWOK Siu Ming Simon	✓	✓	✓
Dr KWOK LAW Kwai Chun Eleanor	✓	✓	✓
Dr LOOK Guy	✓	✓	✓
Ms LEE Yun Chun Marie-Christine	✓	✓	✓
Dr LEUNG Kwok Fai Thomas *(Retired on 29 August 2017)*	✓	✓	✓
Ms TAM Wai Chu Maria	✓	✓	✓
Ms KI Man Fung Leonie	✓	✓	✓
Mr TAN Wee Seng	✓	✓	✓

Company Secretary

Our Company Secretary is an employee of the Company and reports to the Chairman and CEO. She also acts as secretary to most of our Board Committees. To ensure information flow within the Board and its Committees, she is responsible for ensuring the effective conduct of meetings and that proper procedures are followed (including organising meetings, preparing agendas and the written resolutions or minutes, collating and distributing meeting materials, and keeping records of substantive matters discussed and decisions made at the meetings). She also advises the Board on compliance and corporate governance matters, including updating the Board on any legal and regulatory changes, as well as facilitating the induction and professional development of the directors.

The Board has access to the advice and services of the Company Secretary at all times. The Company Secretary has complied with the requirement to undertake over 15 hours of professional training during the period under review.

The Auditor

We engage PwC as our external auditor. We have received a written confirmation from PwC confirming that it is independent and that there are no relationships between PwC and the Company that are likely to impair its independence. The roles and responsibilities of our external auditor are stated in the Independent Auditor's Report on pages 165 to 169.

To maintain PwC's independence and the objectivity and effectiveness of the audit process, since 2009 we have in place a policy on the Provision of Audit and Non-audit Services by external auditors that sets out the types of audit and non-audit services that the Company may request of the external auditor (details of the policy are available on our website).

For the year ended 31 March 2018, the Audit fees of the Group amounted to approximately HK$5,739,000, comprising audit fees of HK$3,522,000 and non-audit fees of HK$2,217,000. The non-audit services consisted mainly of tax advisory services, interim review, turnover certificate, transfer pricing analysis, and other reporting services.

The Audit Committee will continue to review the independence and objectivity of the external auditors, including the review of any audit and non-audit fee proposals and non-audit fees. The Audit Committee has access to the financial expertise of the Group and its auditors and can seek further independent professional advice at the Company's expense, if considered necessary.

Effectiveness

Delegation by the Board

As an integral part of good corporate governance and to enhance the function of the Board, five Board Committees, namely the Audit, Remuneration, Nomination, Executive and Risk Management Committees, have been established to assume responsibilities for and to oversee particular aspects of the Company's affairs. Board Committees report to the Board on their decisions and make recommendations at Board meetings.

Each Board Committee is governed by its own Terms of Reference, which are reviewed from time to time. The Terms of Reference are available on the websites of the Stock Exchange and the Company.

Regular Board Committee meetings were held during the financial year and the number of meetings and attendance of individual committee members are set out on page 127. Throughout the year, the Board Chairman and Board Vice-chairman also attended the Board Committee meetings at the invitation of the Board Committees.

All Board Committees are provided with sufficient resources to discharge their duties and are empowered to obtain independent legal or other professional advice at the Company's expense in appropriate circumstances.

Board Committees

Board	**Audit Committee (All members are INEDs)**	Duties: To review and monitor the Group's relationship with the external auditors and the auditors' independence; to monitor the integrity of the Group's financial information and review significant reporting judgement contained in it; to oversee the Group's financial reporting; on behalf of the Board to review the effectiveness of internal control and risk management procedures; to consider major investigation findings on internal control matters and management's response to these findings; and the audit process.
	Remuneration Committee (Majority are INEDs)	Duties: To determine, with delegated responsibility, the remuneration packages of individual executive directors and management; and giving due regard to the Company's financial status, to ensure the directors and management are fairly rewarded.
	Nomination Committee (Majority are INEDs)	Duties: To make recommendations to the Board for potential Board members as well as the appointment and re-appointment of directors; to review the structure, size and composition of the Board; to assess the independence of INEDs; and to determine the policy for nomination of directors.
	Executive Committee (All EDs)	Duties: To ensure successful implementation of the corporate strategy and directions of the Group as determined by the Board.
	Risk Management Committee (All EDs)	Duties: To provide leadership to the management in relation to risk management and internal control, including monitoring the implementation of the Enterprise Risk Management Programme; to review and approve the recommendations for engaging external consultants, and to have the overall responsibility for leading management in the establishment and maintenance of an appropriate and effective risk management and internal control system.

Audit Committee

Work Done by the Audit Committee in the Year Ended 31 March 2018:

Internal and External Audit Matters

- ✓ Received and considered the presentation of HKFRS16 (Lease) and the impact on the Group.
- ✓ Reviewed the semi-annual summary of audit and non-audit services provided by the external auditor for the year ended 31 March 2017 and the six months ended 30 September 2017.
- ✓ Reviewed and discussed the internal control review projects conducted by the Internal Audit function, including:
  - internal audit progress;
  - significant internal audit findings and follow-up implementation status on prior audit findings;
  - shop/counter visits' progress and results;
  - ERM progress results;
  - annual internal audit plan;
  - annual review of internal audit function and staff resources for financial reporting functions; and
  - major investigation findings on internal controls and management's response to these findings.

Risk Management and Internal Control System

- ✓ Assessed and evaluated the effectiveness of the Group's risk management procedures and internal control system covering all material controls, including financial, operational and compliance controls and risk management functions and the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

Financial Results

- ✓ Reviewed the annual results announcement and annual report for the year ended 31 March 2017 and made recommendations to the Board.
- ✓ Reviewed and considered the proposal of payment of final dividends for the year ended 31 March 2017 and the interim dividend for the six months ended 30 September 2017 and made recommendations to the Board.
- ✓ Reviewed and discussed the interim results for the six months ended 30 September 2017, including the interim results announcement and interim report, and made recommendations to the Board.
- ✓ Reviewed and discussed the quarterly results of the Group.

The Audit Committee held two private sessions/meetings with the external auditors without the presence of the executive directors in the reporting period. These meetings afforded a completely candid exchange of dialogue and opinions between the Audit Committee and the external auditors.

Remuneration Committee

Work Done by the Remuneration Committee in the Year Ended 31 March 2018:

Market analysis

- ✓ Reviewed market surveys and analysis, and the remuneration structure of comparable companies operating in similar business and on a similar scale.

Determination of remuneration

- ✓ Reviewed and approved the remuneration package proposal for management.

Remuneration of Directors and Management

Executive Directors and Management	**Fixed Elements** Basic Salary Fixed Allowance and other Benefits **Time/Performance Related Elements** Annual Bonus Share Options Share Award
Non-executive Directors (including INED)	Directors Fee Share Options

We have in place a formal and transparent Remuneration Policy for directors and management, which is reviewed from time to time. The Committee has also taken into account a number of relevant factors such as remuneration packages offered by companies of comparable business and scale, market practices, and the financial and non-financial performance of the Group, to ensure that the remuneration packages offered remain appropriate and competitive.

The remuneration package of our executive directors is comprised of basic salary, a discretionary bonus tied to the performance of the Company and the individual, and other allowances and benefits. Except for the Chairman and Vice-chairman of the Board who are founders and substantial shareholders of the Company, the remuneration package of the executive directors and management also includes share options or share awards, some of which are time based while others are performance based.

Non-executive Directors (including INEDs) are compensated with the aim of fairly representing their efforts and the time dedicated to the Board and Board Committees matters with reference also being made to the market rate. The recommended remuneration package comprises an annual directorship fee. Details of the remuneration package of our directors and senior management are set out in the Note 7 to the consolidated financial statements on pages 196 to 198.

Nomination Committee

Work Done by the Nomination Committee in the Year Ended 31 March 2018:

Board Composition

- ✓ Reviewed the structure, size and composition of the Board.
- ✓ Assessed the independence of INEDs.

Retirement of Directors

- ✓ Considered the retirement of Dr LEUNG Kwok Fai Thomas.

We have adopted our own Board Diversity Policy and Nomination Policy, which can be found on our website. The Committee takes into account these policies when identifying suitably qualified candidates for the Board and reviews the Policies regularly to ensure their continuing effectiveness.

We have received from each INED written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee has reviewed these confirmations and assessed the independence of the INEDs, concluding that all INEDs meet the independence guidelines as set out in Rule 3.13 of the Listing Rules. In addition, the Committee has concluded that there exist no business or other relationships or circumstances that are likely to affect, or could appear to affect their independent judgement. The Committee will continue to assess annually the independence of all INEDs.

Executive Committee

Work Done by the Executive Committee in the Year Ended 31 March 2018:

Strategy and Budgeting

✓ Ensured successful implementation of the corporate strategy and directions of the Group.

✓ Reviewed business proposals, implementation plans, strategic plans and annual operating plans, all of which are in line with the corporate goals and objectives.

✓ Reviewed the budget, long-term plan, corporate goals and objectives, long-term business model and strategy.

Performance Monitoring

✓ Reviewed the Group's results and performance against the market and budget.

✓ Reviewed the reasons for under/over performance against the market/budget and developed plans and strategies to adapt to market circumstances.

✓ Gave directions on and monitored the Group's performance throughout the year ended 31 March 2018:

- Store openings and closures;
- Sales performance;
- Marketing and promotions;
- Product development;
- Branding management;
- Inventory management;
- IT strategy;
- Human resources and training needs and performance;
- Logistics function performance;
- E-commerce strategies and performance;
- Operations outside of Hong Kong.

The Committee proactively communicates with the non-executive directors and the management and is open and responsive to any issues raised by the non-executive directors (including the INEDs). The Executive Committee has held regular meetings and the number of meetings and the attendance of individual Committee members are set out on page 127. Members of the management are invited to attend as and when appropriate.

Risk Management Committee

Work Done by Risk Management Committee in the Year Ended 31 March 2018:

System and Control

✓ Established and maintained appropriate and effective risk management and internal control systems with reports being made to the Board on any material deficiencies.

Enterprise Risk Management Program

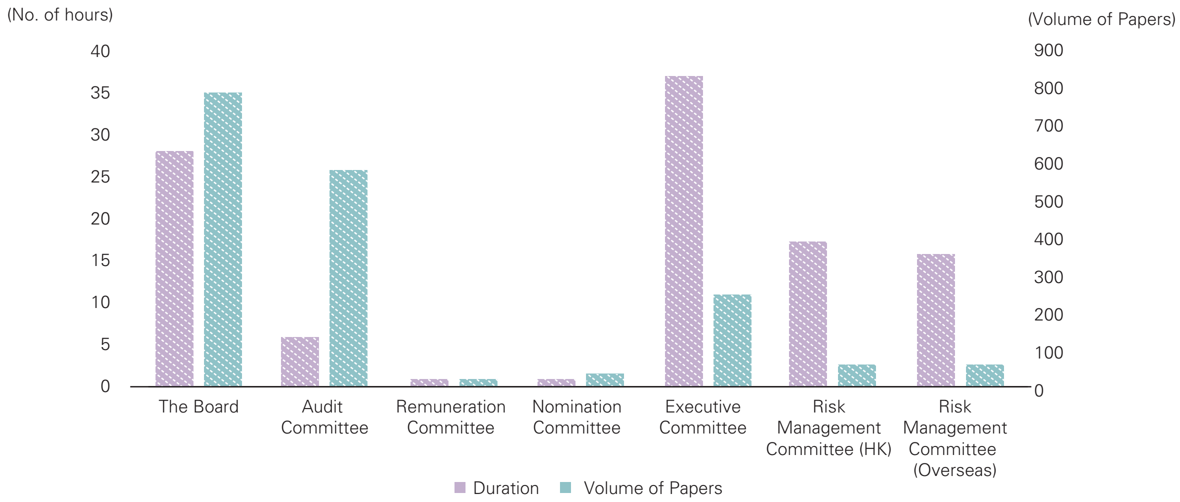
✓ Reviewed and discussed the ERM progress and results for the year ended 31 March 2018 including:

- Continuous assessment of existing and new risks that the Group faces;
- Review of risk indicators and assessing how risks are measured and managed;
- Review and assessing the risk trends and appropriateness of risk indicators;
- Assessing the effectiveness of measures taken to manage risks.

For the meeting of the Risk Management Committee, representatives from the Internal Audit and Management Services Department also attended meetings at the invitation of the Committee. The Risk Management Committee held regular meetings and the number of meetings and attendance records of individual Committee members are set out on page 127. Please refer to pages 142 to 148 of the Enterprise Risk Management Report for details of this Committee.

Time Commitment of Directors

All directors have confirmed to the Company that they have given sufficient time and attention to the affairs of the Company and made contributions to the development of the Company's strategy and policies through independent, constructive and informed comments throughout the period under review. To indicate the attention given by our Board, the following chart shows the duration of meetings and the volume of papers submitted to directors for consideration in the period under review.



We understand that our directors may be invited to hold positions in organisations, panels of professional, public service or government bodies, or engage in other significant commitments, and we recognise these engagements will broaden their knowledge and experience to our benefit. Directors have fulfilled their disclosure requirements by periodically disclosing and updating us on any changes. Despite individual directors' commitments to other public bodies, organisations or listed companies, each director has spent sufficient time performing his/her responsibilities to the Company.

Meeting Process of the Board and Board Committees

We recognise the importance of providing timely and appropriate information to directors so as to enable them to make informed decisions and to perform their duties and responsibilities effectively.

Meeting dates are scheduled in prior year.

To give directors adequate time to plan their schedules to attend the meetings ahead of time.

The Board meets at least four times a year at approximately quarterly intervals.
We held six board meetings during the year ended 31 March 2018.

To review financial performance, strategy and operations.

Meeting agenda and notice

Finalised by the Chairman and are usually sent to all directors at least 14 days before each meeting and they are consulted and given an opportunity to comment on the agenda.

Dispatch board papers to directors

Meeting materials are usually sent to directors in advance of each meeting to ensure that the directors have timely access to complete and relevant information. With a view to becoming more environment-friendly by reducing paper consumption, meeting materials are distributed in electronic form and directors are encouraged to read the electronic version.

Board Meeting

Minutes

Draft minutes recording substantive matters discussed and decisions resolved at the meetings are circulated to all directors for their comments (if any) within a reasonable time (generally within seven business days) of each meeting.	The final version of the minutes is formally approved at the subsequent meeting and a copy is sent to the directors for their records. The final executed version is placed on record and made available for inspection.

Accountability

Compliance with Laws and Regulations

To ensure that the Group complies with relevant laws and regulations and, where appropriate, meets or exceeds industry best practices, we constantly review our practices to keep up to date with the latest developments in regard to all relevant laws and regulations. Trainings on important topics such as the Listing Rules, anti-corruption procedures, data privacy, and trade description and practices are provided periodically.

Various policies and procedures including, among others, the Conflict of Interest Policy, Whistleblowing Policy for Employees, and Gifts and Entertainment Policy, are in place, setting out the standards of conduct that our employees are required to follow. These policies and procedures are reviewed from time to time and updated where necessary and are made available to our employees through our Company's intranet, with some of the policies being published on our website.

The Company regards consumer protection legislation as having a significant impact on the Group and takes active steps to ensure compliance.

With respect to the protection of personal data, the Group has a compliance manual, which is a practical guide complete with examples, case studies and compliance checklists aiming to assist employees to comply with their obligations under the laws and regulations governing personal data. The step-by-step compliance checklists cover the entire life cycle of personal data from their creation to destruction to ensure that the Group respects privacy concerns while using big data to drive business value.

Representatives from all departments in Hong Kong have attended compliance trainings on personal data privacy given by the legal team. In the year ended 31 March 2018, trainings were provided to the following groups of employees:

- marketing;
- customer service;
- e-commerce;
- management trainees; and
- new joiners.

The Group's legal team also attended external seminars and workshops on a regular basis to stay up-to-date on developments in this important area. Changes and additions to the privacy policy and additional control measures are implemented on a timely basis. During the year, we updated our privacy policy to provide transparency to the public on CCTV cameras installed in our stores. We also developed a CCTV policy to regulate the access, security and retention of the images captured on CCTV cameras.

As the Group upgrades its information technology systems, e-commerce and customer relationship management platforms, an extensive data inventory and data mapping exercise is underway with a view to better protect and control data processing activities.

Apart from personal data protection, we have also devised a compliance manual for due compliance with the Trade Descriptions Ordinance. Apart from the legal requirements, the manual highlights the need for reasonable due diligence in the procurement and quality control process. The manual also includes a full set of compliance checklists, which provide colleagues with practical guidance to help them fulfil their duties. The legal team regularly reviews and improves marketing and promotional materials as well as product information to ensure that the information provided to consumers are accurate and not misleading.

To ensure that our employees are properly trained in the legal requirements of trade description and trade practices, the legal team facilitated workshops for the following groups of colleagues during the year:

- category management and product development;
- internal audit and management services;
- marketing;
- e-commerce;
- training and people development;
- management trainees; and
- new joiners.

In relation to information known to "insiders" of the Group but not generally known to the market i.e. inside information, the Group has in place an Inside Information Policy setting out controls with regard to the handling and disclosure of such inside information.

Risk Management and Internal Controls

The Board is accountable for overseeing the Group's risk management and internal control systems and reviewing its effectiveness on an ongoing basis, while the management and other personnel are responsible for implementing and maintaining a robust system of internal controls that covers governance, compliance, risk management, financial as well as operational controls. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute assurance of the following:

- compliance with applicable laws, regulations, contracts, policies and procedures
- appropriateness and effectiveness of risk management and internal controls systems
- reliability and integrity of financial reporting
- effectiveness and efficiency of operations
- prevention and detection of fraud and irregularities

The Board has delegated to the Risk Management Committee the overall responsibility for leading the management in the establishment and maintenance of an appropriate and effective risk management and internal control systems.

Risk Management Framework

The Group's Enterprise Risk Management (ERM) framework provides a systematic and disciplined approach to risk management process, which is embedded in the system of internal controls as an integral part of corporate governance. The ERM framework helps sustain business success, creates value for stakeholders and supports the Board in discharging its corporate governance responsibilities by proactively identifying, addressing and managing key risks within the Group. The ERM framework is aligned with the Committee of the Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Integrated Framework in which line management as risk owners takes direct risk management responsibilities and reports to the Risk Management Committee (RMC).

Details of the ERM System and process are set out in the Enterprise Risk Management Report on pages 142 to 148 of this Annual Report.

Quality Management System

The Group has been refining and formalising retail and e-commerce operational policies, procedures and working instructions which are benchmarked against the International Organization for Standardization (ISO) based Quality Management System (QMS) to standardise workflows and documentation. QMS captures organizational knowledge and enhances operational effectiveness, efficiency and control processes in achieving business goals. QMS also enables scalability in accommodating business growth and mitigating operational risks.

For the year ended 31 March 2018, The Group passed the renewal and surveillance audits of ISO 9001: 2008 or the latest ISO 9001: 2015 certificates for the below departments:

Company	Department	ISO version/ Audit nature	Audit scope	Pass audit date
Sa Sa dot Com Limited	Whole unit	ISO 9001:2008 Surveillance audit	Provision of E-commerce Services For Cosmetic Products	May 2017
Sa Sa Cosmetics Company Limited	Logistics	ISO 9001: 2015 Surveillance audit	Provision of Logistic Services Including Warehousing, Packaging and Local Distribution Of Cosmetics Products and Its Accessory Materials	February 2018
Sa Sa Cosmetics Company Limited	Category Management & Product Development, Marketing	ISO 9001: 2008 Surveillance audit	Category Management, Products Purchasing and Promotion For Cosmetic, Health, Personal Care Products And Its Accessories	November 2017

The Group is fully committed to quality management and will continue taking steps to attain ISO certification for other major business units in the headquarters and creating policies and procedures for sales offices by applying ISO standard in order to promote the application of the standard throughout the organisation. During the year, the Group engaged an external consultant to carry out an information security risk assessment and control review project for our Information Technology Departments and we strive to attain ISO 27001 certification in the next financial year. In addition to annual surveillance audits performed by external consultant, we also conduct regular internal audits by certified in-house ISO internal auditors to ensure that policies and procedures are always adhered to and updated accordingly when business environment changes. There were no significant nonconformities, weaknesses or deficient areas of concern identified by internal and external ISO auditors during the year.

Internal Audit Function

The Internal Audit and Management Services Department (IAMS Department) is an independent and objective function that reports directly to the Audit Committee on a quarterly basis and the Director of IAMS Department has direct access to the Chairman of the Audit Committee.

The IAMS Department has unfettered access to reviewing all aspects of the Group's activities, risk management, control and corporate governance processes and assists the Board to independently assess the effectiveness of the internal control systems and risk management process and to seek continuous improvement. The Internal Audit Charter, approved by the Audit Committee and adopted by the Board, is available on the Company's website.

To accommodate and better support sustained business growth, the IAMS Department continuously enhances its competency by developing expert teams within the department and by encouraging the team leaders to attend relevant external workshops or seminars in order to keep abreast of the latest developments. Regular internal trainings are also held to promote knowledge sharing within the IAMS Department. Below is a summary of external trainings attended by members of the IAMS Department for the year ended 31 March 2018:

	Participation in Trainings and Continuous Professional Development of the IAMS Department					
	Business & General Management	**Governance, Risk & Control**	**IT/Information Security**	**Fraud**	**Quality Management**	**Online Self-study**
No. of events	7	2	1	2	1	Continuous

Internal Audit Activities

The IAMS Department adopts a risk-management based approach in developing the annual and revised quarterly audit plans that align to the enterprise risk management framework. Audit activities are identified, prioritised and scoped based on risk assessment, which is a dynamic and continuous practice, to cover business activities with material risks across the Group. The Audit Committee reviews and approves the annual audit plan and all major subsequent changes made in the regular meetings. Significant financial, operational, compliance and fraud risk areas are further assessed during individual audit engagement to evaluate control effectiveness and mitigation measures taken by management.

All findings and recommendations on internal control deficiencies for each audit engagement are communicated to management who are required to establish remedial plans to correct those internal control deficiencies within a reasonable time period. Post-audit reviews are performed quarterly to monitor those agreed action plans and to ensure that corrective measures of previously identified internal control deficiencies have been implemented as intended and on a timely basis. Significant deficiencies of individual engagement are reported to and reviewed by the Audit Committee.

To further strengthen the overall control environment, the IAMS Department performs continuous auditing on selected key operational processes to evaluate and ensure the adequacy and effectiveness of management's monitoring of those areas. This process also enhances audit efficiency and effectiveness for continuous monitoring of internal control deficiencies and fraud risks.

The Group recognises that information technology has become more strategically important in achieving its objectives and is integral to its daily operations and activities. Therefore, maintaining a stable and secured IT infrastructure and staying in step with new and disruptive technology is critical to the Group's sustainability and growth and therefore the Group has been paying more attention to technological development and its implication to our strategies. IT risk management is being steadily integrated in the Group's risk management structure and external consultant will be engaged whenever necessary to assess risks on specific areas such as cyber-security. More details on the management of these risks are set out in the Enterprise Risk Management Report on pages 142 to 148 of this Annual Report.

Review of Risk Management and Internal Control Effectiveness

Through the Audit Committee, the Board has conducted annual review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 March 2018, covering all material financial, operational and compliance controls, and it has considered the Group's risk management and internal control system to be effective and adequate. There were no suspected material irregularities found or significant areas of concern identified during the year that might affect Shareholders.

The Audit Committee has annually reviewed the adequacy of resources, qualifications, experience and training programs of the Group's IAMS and accounting and financial reporting staff and considered that staffing is adequate and that all staff are of sufficient competence to carry out their roles and responsibilities.

Communication with Shareholders

2018 Annual General Meeting

The AGM provides the Board with the opportunity to meet and engage directly with our Shareholders. The AGM for the financial year ended 31 March 2018 will be held on or around Monday, 3 September 2018. Separate resolutions will be proposed at the meeting on each substantially separate issue and all voting will be conducted by poll. Notice of the AGM together with the circular, which sets out each resolution to be proposed at the AGM, will be dispatched to the Shareholders on or around 23 July 2018.

Shareholders' Rights

Our Shareholders have the right to convene general meetings and to put forward proposals, details of which can be found on our website and on pages 104 to 116 of the "Investor Relations Report" in this Annual Report.

Shareholders are also welcome to put enquiries to the Board. For the procedure and contact details, please refer to pages 104 to 116 of the "Investor Relations Report" in this Annual Report.

Other Shareholder-related Information

For information regarding type and aggregate shareholding, details of the 2017 annual general meeting, upcoming important dates and year-end public float capitalisation, please refer to pages 104 to 116 of the "Investor Relations Report" in this Annual Report.

Directors' Acknowledgement

The directors collectively acknowledge their responsibility for preparing the financial statements of the Company and its subsidiaries.

ENTERPRISE RISK MANAGEMENT REPORT

Effective risk management is essential to the achievement of the Group's strategic objectives. In place since 2010, the ERM System offers a systematic and disciplined approach to provide clear responsibility and accountability structures for risk management. It consists of three major components: risk governance; risk infrastructure and oversight; and assignment of risk ownership.

The Board is responsible for determining the Group's risk profile and risk appetite, with the latter defining the acceptable tolerance levels for key risks. The Board oversees the Group's risk management framework, reviews the Group's key existing and potential risks and their respective mitigation strategies, and ensures risk management effectiveness. The RMC holds regular meetings to review the management of these risks and the effectiveness of mitigation strategies and controls, while also actively identifying any positive business opportunities in relation to these risks.

Risk Management Committee

The Group formed the RMC in 2009, comprising all three Executive Directors, as part of the Group's commitment to further enhancing our control environment. The RMC has written terms of reference that set out the responsibilities of the members and are available on the Company's website. The Committee held nine meetings at Group level to assess and re-assess the top 10 priority risks and the results of mitigation actions for the year ended 31 March 2018. The RMC assists the Board in providing leadership to the management in relation to risk management and internal control, and the Committee has overall responsibility for the establishment and maintenance of appropriate and effective risk management and internal control systems including the design, implementation and monitoring of such systems for the Group.

Enterprise Risk Assessment

Risk assessment is the identification and analysis of existing and emerging risks in order to form a basis for determining how risks are managed in terms of likelihood and impact. Risk areas are categorised into strategic, operational, financial and compliance perspectives for further assessment and management. A bottom-up and top-down approach is adopted to ensure a holistic risk management process. The bottom-up approach is supported by cross-functional workshops with line management to identify and prioritise risks while the top-down approach reviews and assesses if risks are comprehensively identified, prioritised, and properly addressed by line management to accomplish the Group's objectives. At the Group level, a Group risk register has been maintained since the inception of the ERM System. This register has been regularly monitored and updated by taking emerging risks into account for continuous risk assessment purposes and for building the risk management-based internal audit plan.

The Group has in place Risk Management and Internal Control Self-Assessment and Fraud Risk Control Self-Assessment programmes, requiring overseas business units and major departments in the headquarters to annually assess the adequacy and effectiveness of risk management and internal controls for ongoing risk assurance purposes. This process enhances the Group's risk and control framework effectiveness.

Enterprise Risk Management Process

The ERM System uses risk indicators and red flags to monitor the top 10 selected priority risks. The setting of risk indicators aligns with the risk tolerance regime, representing the magnitude of risk the Group is willing to undertake in order to achieve our business goals. Additionally, a balance scorecard system, which also incorporates a red flag mechanism, has been implemented, incorporating key performance indicators for core business units to measure their progress towards achieving business goals. The balance scorecard system and the ERM System are harmonised, allowing the Group to monitor a comprehensive set of indicators at the same time for better business performance and risk management.

The RMC meetings are held at least four times a year to review and discuss the risk management progress of each of the top 10 priority risks and to provide a continuous update on the business environment and to monitor any changes. During this process, the balance scorecard key performance indicators are updated and monitored on a monthly basis so that underperformed activities can be brought to management's attention on a timely basis. Risk owners are required to take mitigating actions to address these risks. Such actions are integrated in the Group's day-to-day activities and their effectiveness is closely monitored by the red flag mechanism. This mechanism is used as a basis for reporting and discussion in the monthly management meetings as well as in RMC meetings. If any risk indicators are highlighted by red flags, the responsible risk owners are required to re-assess the existing remedial action plans and promptly propose new plans if necessary. As an integral part of the Group's ERM to provide assurance on the effectiveness of the Group's risk management process and system of internal control, the IAMS Department carries out continuous assessment on the progress of risk management procedures while it also assesses the risk responses submitted by risk owners. The IAMS Department facilitates the RMC in reporting significant risks, material changes and the associated mitigating actions, highlighting these to the Audit Committee on a quarterly basis to enhance the accountability and quality of the risk management process. An illustrative diagram describing the ERM Framework is set out on page 143.

Risk Governance & Infrastructure

The ERM Framework

Top Down Approach

Assessment and Management of Strategic Risks to Achieve Group's Objectives

Risk Management Responsibilities		Risk Management Function
• Overall Risk Management Responsibility • Determine Risk Profile and Oversee Risk Management Framework • Review Key Risks and Mitigation Strategies and Ensure Risk Management Appropriateness and Effectiveness		The Board
• Delegated responsibilities from the Board		Audit Committee
• Establish and Maintain Risk Management and Internal Control Systems • Develop Risk Profile and Review Risk Responses • Formulate Risk Management Strategy	**Enterprise Risk Management** **Top 10 Risks** Risk Monitoring & Reporting **Risk Response Validation** Risk Mitigation Plan & Risk Indicators	Risk Management Committee
• Identify, Assess and Evaluate Existing and Emerging Risks in Achieving Strategic Objectives • Set Risk Priorities for Business Unit	**Enterprise Risk Assessment and Risk Treatment** **Individual Risks** Individual Risks; Operational Risks; Financial Risks; Compliance Risks **Risk Assessment Facilitation** Monthly Balance Scorecard Updating and Monitoring; Annual Risk Management and Internal Control Self-Assessment, Fraud Risk Control Self-Assessment	Business Units

Guidelines, Roles and Responsibilities

Risk Escalation and Assurance

Bottom Up Approach

Cross-functional Meetings Identify and Prioritise Risks

Management of Key Risks

Since the Group operates in a highly dynamic and competitive landscape, continuous and effective risk management is vital for achieving high performance and accomplishing business targets. Some key risks currently being managed are:

Online Threats and Opportunities

Online threats and opportunities remain the number one challenge faced by the Group. The continuous and exponential growth of everything involving the internet, including social media, digital marketing, e-commerce, mobile apps and payments is reflecting and further driving changes in consumer behaviour. At the same time business behaviour has evolved dramatically, especially in Mainland China, where an ambitious New Retail strategy has been widely promoted and where consumers are now highly connected and digital-savvy. There are therefore considerable opportunities to be gained from these new retail practices. However, during the year, our e-commerce business was negatively affected by the limitations of our current IT infrastructure and the lack of tools to manage and make use of our customer database. We have yet to fully leverage cooperation with third parties to increase our exposure to potential customers and drive our growth. Although we have begun to enjoy the benefits of an improved logistics service, further enhancements are needed to lower our costs and improve customer experience. In order to remain competitive, the Group needs to make concerted efforts to improve our system capability, business and system scalability, and operational efficiency.

In this regard, we are at the early stage of adopting a new e-commerce platform to replace the existing front- and back-end infrastructure for UX optimisation, business conversion effectiveness, operational efficiency, online and offline integration, multiple touch point data collection, consolidation and analysis. The Salesforce SaaS Solution is being implemented by the Group in a new "Customer Relationship Management" initiative to facilitate online and offline customer big data collection, integration and value analysis, and to drive business growth. The Group is also proactively considering opening new pop stores on major cross border e-commerce platforms to maximize exposure to new target customers. Since social media remains a remarkable phenomenon and a critical touch point that influences customer purchase decisions, especially through recommendations and posts from peers and KOLs, the Marketing team will continue to proactively develop social media platform partnerships and enhance our content management to promote customer interaction and boost sales.

Recognising that the delivery process from our previous Hong Kong outsourced warehouse to Mainland China was not meeting customers' expectations of speedy dispatch and was also not a cost effective way for certain product categories, we established a bonded warehouse in Zhengzhou in October 2016. In addition, the newly engaged cross-border e-commerce oriented warehouse in Hong Kong has enabled us to lower operating costs and increase the speed of delivery.

Product Competitiveness

The Group is well known for providing a large variety of trendy products with a wide price range that appeal to broad market segments. This continued success in product competitiveness has been largely built on our ability to strengthen our House Brands while sourcing and developing products that meet the demands of the market. However, consumers are changing their preferences faster than ever before and fierce competition from new and emerging competitors poses fresh challenges in the industry. In addition to pressures to provide the right trendy products with ever increasing frequency, market competitiveness is driving much faster product launches, shorter product life cycles, and increased security and integrity of product supplies. The Group has been taking action to address these challenges. These initiatives include, but are not limited to: engaging with some manufacturers to leverage on their product development capabilities; employing local sourcing specialists; adjusting our product portfolio and eliminating low productivity SKUs; re-engineering our internal product development processes and inventory management; and building closer relationships with suppliers. However, these measures will not achieve sustained success without alignment across every key functional area and without enhancing our ability to apply the latest technology and to utilise big data for better decision-making and to improve the customer shopping experience. We have therefore launched special projects to explore the application of technology to our operations and to recruit talents with the right skill sets.

Cybersecurity and Personal Data Privacy Risks

Cybersecurity and personal data privacy have been rated as our top risks to manage, which has also been true for most companies in recent years. The increasing number of leaks and the global trend towards more stringent regulations reflect the magnitude of this risk. The recent highly publicized data leakage or misuse incidents of some well-known companies, which are drawing extreme regulator and media attention, serve as a wake-up call for organisations to immediately strengthen their internal controls to prevent personal data from being compromised and causing harm, such as identity theft and financial loss to customers. As the Group operates in a business environment that needs to collect and manage a vast amount of customer personal data from various legal jurisdictions, we are exposed to data loss risks that may result in potential fines, as well as damage to our reputation and business. To manage these risks, we have established a comprehensive privacy policy together with workshops on personal data privacy compliance for selected staff members. Our management team is charged with the responsibility to ensure regulatory requirements are followed. Each member of the management team is requested to acknowledge that they have familiarized themselves with the relevant training materials provided on our intranet. An external consultant recently facilitated a cybersecurity training course for Board members and cybersecurity is one of the top 10 risks covered in our ERM. The Group allocated substantial IT resources to enhance our cybersecurity regime over the last financial year. Meanwhile, we aim to engage an external certified professional to help assess our protection against cyber attacks. Improvement plans will be formulated if gaps are found and reassessments will be undertaken to ensure that adequate and sufficient remedial actions are in place.

Talent Acquisition, Staff Retention and Training

Competition for talent continues to remain a challenge for the Group due to the overall low unemployment rate and easier access to higher education opportunities for young people. The Group recognises that human capital is one of the most important assets we have and we need to actively develop new recruitment channels to attract, develop and retain talents in order to support our future growth.

New Recruitment Channels

In addition to expanding our traditional recruitment channels, we have also leveraged the power of various social media, mobile apps and other electronic channels to acquire talents and raise our profile with the public. We have also made use of internal resources and networks by re-launching our Staff Referral Scheme.

Home Grown Talent – Future Management Pipeline and Sales Force

Our home grown talent programmes cover a wide range of students – from the Management Trainee Programme for university graduates to the Sales Trainee Programme for secondary school students – so that we can develop a strong talent pipeline for every level of staff. Our Management Trainee Programme targets high potential new university graduates, offering them an individually planned, fast track career path to managerial level in our frontline sales operations, logistics department or e-commerce business. During 2017, the programme was further expanded to our Finance and Accounting Department. The Sales Trainee Programme and the Earn and Learn Pilot Scheme, which runs in cooperation with the Vocational Training Council, will equip graduates with professional product knowledge and selling skills to further develop their career in our Group.

Bonding Enhancement Activities

To enhance bonding between Management Trainees, we have established the MT Society with the purpose of giving continuous attention, support and development opportunities to participants. Past and newly-joined trainees can meet regularly for networking and experience sharing. Other activities for staff networking include Company events, such as outings, charity events and also activities organised by our Staff Recreation Club. These initiatives enable us to promote our work-life balance and family friendly philosophy to our staff.

The Group firmly believes that care for staff and good communication with them are the best means to attract, motivate and retain talents. To ensure new joiners are well integrated into the Company, in addition to our orientation programme, we conduct an individual Pulse-Check Programme and small group sharing sessions to express our care and listen to new joiners' feedback, providing follow up actions when needed. Mentors are also assigned to new staff in the shop environment itself to provide further guidance and personalised support to new joiners.

Training and Development

The Group has in place a series of effective functional training and development programmes to upgrade staff competence and promote team spirit. During the year, the Group successfully extended the Junior Beautician Trainee (JBT) programme, Big Sister scheme and the Sa Sa e-learning platform to our Mainland China office. While the JBT programme helps to equip new joiners with relevant knowledge, the Big Sister scheme creates a harmonious working environment, strengthens bonding relationships, and improves frontline staff retention. The one-stop e-learning platform consolidates all training and development courses in one database, enabling frontline staff to access all relevant training information and learn at times that are convenient to them without requiring extra travel and expense. This is particularly relevant and effective in Mainland China, where geography has long been a barrier for traditional instructor-led training courses.

Mainland China Business Prospect

The Group's Mainland China sales improved, particularly in the second half of the year, as a result of the overall market recovery of our brick-and-mortar retail business as well as internal improvement initiatives including store network consolidation, underperforming stores' closures, logistics and warehouse operation improvements, Category Management and Product Development Department ("CMPD") restructuring, and a new Business Intelligence team overseeing our analytics and inventory management. Building on the improvement in our operational efficiency, we will formulate a strategic store-opening plan to tap the growth momentum of the market. However, the geographical spread, continuous changes in the popularity of different shopping malls and fierce competition for key shopping destinations pose challenges to our existing store network development team. To tackle these challenges, we will be working closely with more real estate agencies to leverage their specialized expertise and network so that we can expand our choice of locations. While we note there are wider choice of store locations with lower rents, the competition for popular shopping malls where rent rates have gone up is still intense. In order to remain competitive, we will roll out a new store image and also proactively approach popular shopping mall operators to secure our presence in their top "go-to" locations. Internally, we have established guidelines on shopping mall selection and implemented more frequent progress reviews. The Group expects that these robust enhancement measures will drive our stores to operate more efficiently and increase our presence in our target provincial capitals, thereby improving overall sales and profitability.

Ethical Business Practices

The Group is committed to enforcing ethical business practices by setting the right tone at the top. However, we recognise that unethical incidents may still happen even when we have a robust internal control system in place. In order to enable the Group to evaluate and manage fraud risks through a more systematic and proactive approach, fraud risk assessment is incorporated as an integral part of the Group's risk management structure to continuously manage and mitigate fraud risks. All business units and departments are required to formally assess and report annually their fraud risk exposure via the Fraud Risk Control Self-Assessment. To proactively protect against fraud, we have introduced a set of fraud monitoring indicators for regions or business units with high fraud vulnerability. All fraud cases, either reported through the whistleblowing channel or identified by the analytics, will be conducted independently by the IAMS Department or jointly, as appropriate, with other departments in the Group or with external investigators. Prompt and consistent disciplinary actions will be taken according to company policy and the results, together with corrective actions, will be reported to the Executive Directors and Audit Committee. We believe that by so doing, we can safeguard the Group's assets, contribute positively to the Group's reputation and image, and thus reduce the direct and indirect costs of doing business. During the financial year and the period up to the date of this report, the following key activities were undertaken in order to promote the overall culture of ethics and enhance the existing fraud risk management system:

Communication and Training

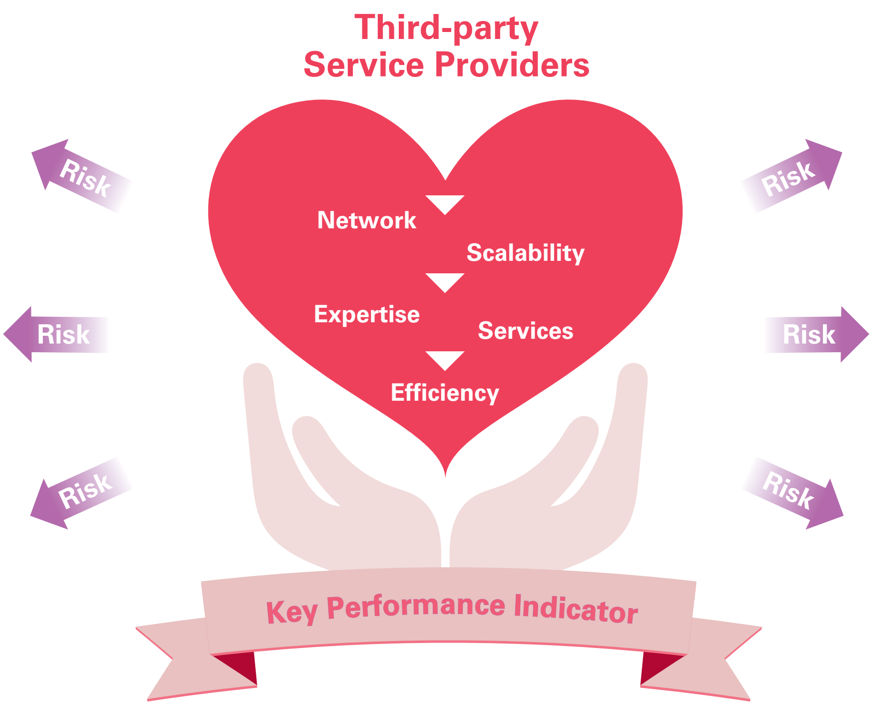
Participants/Target	Course/Induction/Workshop/Action
All New Staff	Induction training on key corporate policies, including whistleblowing policy, conflict of interest policy, etc
PRC, Malaysia & Singapore Suppliers	Letters to suppliers – Code of Business Conduct and Ethics
IAMS Department	Delegates attended four external fraud prevention workshops

Assessment and Enforcement

Area	Actions
Internal Audit Scope	Fraud risk assessment is embedded in every single audit assignment
Enforcement	Fraudsters are held accountable by enforcing relevant disciplinary actions
Hong Kong Head Office & Overseas Offices	Fraud risk self-assessment conducted
Selected Fraud-prone Areas	Regular review on trends and exceptions by both relevant departments and IAMS

Third-party Risks

The Group has been relying on third-party service providers, such as outsourced manufacturers, software vendors, manpower service providers, contractors, warehousing and logistics service providers, in some key aspects of our business. Our aim is to improve performance by leveraging their specialised expertise, well-developed service network, operational efficiency and better scalability. Nevertheless, we are potentially exposed to risks that may include but are not limited to business disruptions, investigations by authorities leading to financial losses, and reputational damage as a result of under-performance or noncompliance with local rules and regulations. In order to counter these risks and make our business more secure, the Group has established comprehensive key performance indicators and involved an external professional to closely and continuously monitor their performance, enhance internal transparency in regard to emerging risks, involved executives and other functional teams as necessary, and laid down clear terms and conditions in service agreements. Although the Group tends to maintain long-term relationships with thirty-party service providers, we may terminate the services of under-performing vendors. In addition, from time to time we compare their service level to that of the market, which allows us to bring in new vendors with better service quality while managing our costs.



REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2018.

Principal Activities and Segment Analysis of Operations

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in Note 29 to the consolidated financial statements.

An analysis of the Group's turnover and results for the year by business segments is set out in Note 3 to the consolidated financial statements.

Business Review

A fair review of the Group's business is provided in the Management Discussion & Analysis section on pages 36 to 45 of this Annual Report. Description of the principal risks and uncertainties facing the Group can be found in the Enterprise Risk Management Report on pages 142 to 148. No important event affecting the Group has occurred since the end of the financial year under review. The outlook of the Group's business is discussed in the Management Discussion & Analysis section on pages 46 to 51 and page 53 of this Annual Report. Certain financial key performance indicators which complement and supplement our financial disclosures are set out on pages 6 to 8. An account of the Company's relationships with its key stakeholders and discussions on the Group's environmental policies and performance are included in the Environmental, Social and Governance Report. To the extent necessary for an understanding of the development, performance or position of the Company's business, discussions on the Company's compliance with the relevant laws and regulations that have a significant impact on the Company are set out in the Corporate Governance Report.

The above sections form part of the report of the directors.

Results and Appropriations

The results for the year are set out in the consolidated income statement on page 170.

An interim dividend of 3.5 HK cents (2017: 5.0 HK cents) per Share with no special dividend (2017: 4.0 HK cents per Share) were paid on 23 January 2018. The Directors recommended the payment of a final dividend of 11.0 HK cents (2017: 8.0 HK cents) per Share and a special dividend of 3.0 HK cents per Share (2017: Nil), such dividends will be proposed for approval by Shareholders at the AGM to be held on Monday, 3 September 2018, and are payable to Shareholders whose names appear on the Register of Members of the Company on Monday, 10 September 2018. Total dividends paid and to be paid in respect of the year ended 31 March 2018 amounted to HK$531,349,000.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last ten financial years is set out on pages 6 to 8.

Major Customers and Suppliers

During the year, the percentage of purchases attributable to the Group's five largest suppliers combined and the percentage of sales attributable to the Group's five largest customers combined were both less than 30% of the Group's respective purchases and sales for the year.

Reserves

Details of the movements in reserves of the Group and the Company during the year are set out in Note 25 to the consolidated financial statements.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 13 to the consolidated financial statements.

Share Capital

Details of the movements in share capital of the Company during the year are set out in Note 24 to the consolidated financial statements.

Share Options

Share Option Schemes

- **2002 Share Option Scheme**

  The 2002 Share Option Scheme was approved by the Shareholders at the AGM held on 29 August 2002 (the "2002 Share Option Scheme"). The 2002 Share Option Scheme was terminated and a new share option scheme was adopted pursuant to resolutions passed by the Shareholders on 23 August 2012 (the "2012 Share Option Scheme"). The 2012 Share Option Scheme became unconditional and effective on 27 August 2012. Upon termination of the 2002 Share Option Scheme, no further options could be granted under the 2002 Share Option Scheme but the provisions of the 2002 Share Option Scheme continued to govern options granted under this scheme up to and including 23 August 2012. A summary of the 2002 Share Option Scheme is set out below:

  (a) Purpose

  To provide Participants (as defined below) with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

  (b) Participants

  Any directors (including executive, non-executive and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any members of the Group who the Board or a duly authorised committee thereof considers, in its sole discretion, to have contributed to the Group.

  (c) Total Number of Shares Available for Issue

  (i) The maximum number of Shares in respect of which options may be granted under the 2002 Share Option Scheme shall not (when aggregated with any Shares subject to any other share option scheme(s) of the Company) exceed 10% of the issued share capital of the Company on 29 August 2002, the date on which the 2002 Share Option Scheme was adopted (the "2002 Scheme Mandate Limit"). Options lapsed in accordance with the terms of the 2002 Share Option Scheme will not be counted for the purpose of calculating the 2002 Scheme Mandate Limit.

  (ii) The 2002 Scheme Mandate Limit may be renewed at any time subject to prior Shareholders' approval but in any event shall not exceed 10% of the issued share capital of the Company as at the date of approval of the renewal of the 2002 Scheme Mandate Limit. Options previously granted under the 2002 Share Option Scheme or any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the refreshed 2002 Scheme Mandate Limit.

Share Options (continued)

Share Option Schemes (continued)

- **2002 Share Option Scheme (continued)**

  (c) Total Number of Shares Available for Issue (continued)

  (iii) The maximum number of Shares in respect of which options may be granted to grantees under the 2002 Share Option Scheme and other share option schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

  (iv) As at 21 June 2018, no further options could be granted under the 2002 Share Option Scheme and the total number of option shares granted but not yet exercised under this scheme was 27,834,988 Shares, which represented 0.92% of the total issued share capital of the Company at that date.

  (d) Maximum Entitlement of Each Participant

  The maximum number of Shares in respect of which options may be granted under the 2002 Share Option Scheme to a specifically identified single grantee shall not (when aggregated with any Shares subject to any other share option scheme(s) of the Company) in any 12-month period exceed 1% of the shares of the Company in issue.

  The Company may grant options beyond the said individual limit to a Participant if (i) the Company has first sent a circular to Shareholders containing the identity of the Participant in question, the number and terms of the options granted and to be granted and other relevant information as required under the Listing Rules; and (ii) separate Shareholder's approval has been obtained.

  (e) Option Period

  The period within which the Shares must be taken up under an option shall be notified by the Board to each grantee at the time of making an offer which shall not expire later than 10 years from the date of grant of the relevant option.

  (f) Minimum Period for Which an Option Must Be Held Before It Can Be Exercised

  The minimum period, if any, for which an option must be held before it can be exercised shall be determined by the Board at its absolute discretion. The 2002 Share Option Scheme itself does not specify any minimum holding period.

  (g) Consideration on Acceptance of the Option

  HK$1.00 is required to be paid by the grantee to the Company on acceptance of the option offer as consideration.

  (h) Basis of Determining the Subscription Price

  The subscription price shall be determined by the Board at its absolute discretion but in any event shall not be less than the greatest of:

  (i) the closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant;

  (ii) the average closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

  (iii) the nominal value of a share of the Company.

  (i) Remaining Life of the 2002 Share Option Scheme

  The 2002 Share Option Scheme was terminated pursuant to resolutions passed by the Shareholders at the annual general meeting held on 23 August 2012.

Share Options (continued)

Share Option Schemes (continued)

- **2002 Share Option Scheme (continued)**

  Details of the share options granted under the 2002 Share Option Scheme and their movements during the year are set out below:

					Number of Share Options				
Name	Date of grant	Subscription price per Share (HK$)	Period during which rights exercisable	Closing price of the Shares immediately before the date on which the options were exercised (HK$)	Outstanding as at 1 April 2017	Granted during the year	Exercised during the year	#Lapsed during the year	Outstanding as at 31 March 2018
Director									
Dr LOOK Guy	1 Mar 2012	4.77	28 Feb 2014 to 28 Feb 2022	–	4,690,998	–	–	–	4,690,998
			28 Feb 2015 to 28 Feb 2022	–	4,690,998	–	–	–	4,690,998
			Note [(1)]	–	3,381,996	–	–	–	3,381,996
			Note [(1)]	–	4,690,998	–	–	–	4,690,998
			Note [(1)]	–	4,690,998	–	–	–	4,690,998
Employees	30 Sep 2010	3.16	30 Sep 2013 to 29 Sep 2020[(2)]	4.42	542,000	–	(20,000)	–	522,000
			30 Sep 2013 to 29 Sep 2020[(3)]	–	40,000	–	–	–	40,000
	17 Jun 2011	4.95	17 Jun 2014 to 16 Jun 2021[(4)]	–	2,110,000	–	–	(20,000)	2,090,000
			17 Jun 2014 to 16 Jun 2021[(3)]	–	40,000	–	–	–	40,000
			17 Jun 2014 to 16 Jun 2021[(5)]	–	40,000	–	–	–	40,000
			17 Jun 2014 to 16 Jun 2021[(6)]	–	50,000	–	–	–	50,000
			17 Jun 2014 to 16 Jun 2021[(7)]	–	50,000	–	–	–	50,000
	29 Jun 2012[(8)]	4.85	29 Jun 2015 to 28 Jun 2022	–	3,746,000	–	–	(281,000)	3,465,000
			29 Jun 2015 to 28 Jun 2022[(3)]	–	40,000	–	–	–	40,000
			29 Jun 2015 to 28 Jun 2022[(5)]	–	50,000	–	–	–	50,000
			29 Jun 2015 to 28 Jun 2022[(6)]	–	120,000	–	–	–	120,000
			29 Jun 2015 to 28 Jun 2022[(7)]	–	70,000	–	–	–	70,000
			29 Jun 2015 to 28 Jun 2022[(9)]	–	200,000	–	–	–	200,000
					29,243,988	–	(20,000)	(301,000)	28,922,988

There are no share options cancelled during the year.

Share Options (continued)

Share Option Schemes (continued)

- **2002 Share Option Scheme (continued)**

Notes:

(1) The exercise of the share options is subject to certain performance targets that must be achieved by the director. The share options shall be exercised by the director not later than 28 February 2022.

(2) On 30 September 2010, the Company granted share options to certain employees of the Company in order to reward them for contributing to the long term success of the business of the Group and to encourage and motivate them to continue to contribute to the success of the Group.

(3) The grantee, Ms KWOK Lai Kwan Anna, is an associate of the chief executive and directors of the Company.

(4) On 17 June 2011, the Company granted share options to certain employees of the Company in order to reward them for contributing to the long term success of the business of the Group and to encourage and motivate them to continue to contribute to the success of the Group.

(5) The grantee, Mr KWOK Siu Hung Vincent, is an associate of the chief executive and directors of the Company.

(6) The grantee, Ms KWOK Sea Nga Kitty, is an associate of the chief executive and directors of the Company.

(7) The grantee, Ms KWOK Sze Wai Melody, is an associate of the chief executive and directors of the Company.

(8) On 29 June 2012, the Company granted 7,567,000 share options to certain employees of the Company in order to reward them for contributing to the long term success of the business of the Group and to encourage and motivate them to continue to contribute to the success of the Group. The exercise of 250,000 share options out of the outstanding balance of 3,945,000 share options as at 31 March 2018 is subject to certain performance targets that must be achieved by the related employees.

(9) The grantee, Mr LAW Kin Ming Peter, is an associate of the chief executive and directors of the Company.

- **2012 Share Option Scheme**

The 2012 Share Option Scheme was adopted on 23 August 2012 and became unconditional and effective on 27 August 2012. A summary of the 2012 Share Option Scheme is set out below:

(a) Purpose

To provide Participants (as defined below) with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its Shareholders as a whole.

(b) Participants

Any directors (including executive, non-executive directors and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any members of the Group whom the Board considers, in its sole discretion, to have contributed to the Group.

(c) Total Number of Shares Available for Issue

(i) The maximum number of Shares in respect of which options may be granted under the 2012 Share Option Scheme shall not (when aggregated with any Shares subject to any other share option scheme(s) of the Company) exceed 10% in nominal amount of the issued share capital of the Company on 23 August 2012, the date on which the 2012 Share Option Scheme was adopted (the "2012 Scheme Mandate Limit"). Option lapsed in accordance with the terms of the 2012 Share Option Scheme will not be counted for the purpose of calculating the 2012 Scheme Mandate Limit.

Share Options (continued)

Share Option Schemes (continued)

- **2012 Share Option Scheme (continued)**

  (c) *Total Number of Shares Available for Issue (continued)*

  (ii) The 2012 Scheme Mandate Limit may be renewed at any time subject to prior Shareholders' approval but in any event shall not exceed 10% of the issued share capital of the Company as at the date of approval of the renewal of the 2012 Scheme Mandate Limit. Option previously granted under the 2012 Share Option Scheme or any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the refreshed 2012 Scheme Mandate Limit.

  (iii) The maximum number of Shares in respect of which options may be granted to grantees under the 2012 Share Option Scheme and other share option schemes of the Company shall not exceed 30% in nominal amount of the issued share capital of the Company from time to time.

  (iv) As at 21 June 2018, 272,687,006 Shares were available for grant under the 2012 Share Option Scheme and the total number of option shares granted but not yet exercised under this scheme was 5,659,000 Shares, which represented 8.97% and 0.19% respectively of the total issued share capital of the Company at that date.

  (d) *Maximum Entitlement of Each Participant*

  The maximum number of Shares in respect of which options may be granted under the 2012 Share Option Scheme to a specifically identified single Participant shall not (when aggregated with any Shares subject to any other share option scheme(s) of the Company and including exercised, cancelled and outstanding options) in any 12-month period exceed 1% of the shares of the Company in issue.

  The Company may grant options beyond the said individual limit to Participants if (i) the Company has first sent a circular to Shareholders containing the identity of the Participant in question, the number and terms of the options to be granted (and options previously granted to such Participant) and other relevant information as required under the Listing Rules; and (ii) separate Shareholders' approval has been obtained in general meeting with the proposed Participant and his associates abstaining from voting.

  (e) *Option Period*

  The period within which the Shares must be taken up under an option shall be notified by the Board to each grantee at the time of making an offer which shall not expire later than 10 years from the date of grant of the relevant option.

  (f) *Minimum Period for Which an Option Must Be Held Before It Can Be Exercised*

  The minimum period, if any, for which an option must be held before it can be exercised shall be determined by the Board at its absolute discretion. The 2012 Share Option Scheme itself does not specify any minimum holding period.

  (g) *Consideration on Acceptance of the Option*

  HK$1.00 is required to be paid by the grantee to the Company on acceptance of the option offer as consideration.

Share Options (continued)

Share Option Schemes (continued)

- **2012 Share Option Scheme (continued)**

(h) Basis of Determining the Subscription Price

The subscription price shall be determined by the Board in its absolute discretion but in any event shall not be less than the greatest of:

(i) the closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant;

(ii) the average closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; or

(iii) the nominal value of a share of the Company.

(i) Remaining Life of the 2012 Share Option Scheme

The 2012 Share Option Scheme shall be valid and effective for a period of 10 years commencing on 27 August 2012, the date on which it became unconditional and will expire on 26 August 2022.

Details of the share options granted under the 2012 Share Option Scheme and their movements during the year are set out below:

				Number of Share Options				
Name	Date of grant	Subscription price per Share (HK$)	Period during which rights exercisable	Outstanding as at 1 April 2017	Granted during the year	Exercised during the year	#Lapsed during the year	Outstanding as at 31 March 2018
Employees	21 Jun 2013	8.07	21 Jun 2016 to 20 Jun 2023[1]	5,336,000	–	–	(487,000)	4,849,000
			21 Jun 2016 to 20 Jun 2023[2]	50,000	–	–	–	50,000
			21 Jun 2016 to 20 Jun 2023[3]	20,000	–	–	–	20,000
			21 Jun 2016 to 20 Jun 2023[4]	100,000	–	–	–	100,000
			21 Jun 2016 to 20 Jun 2023[5]	50,000	–	–	–	50,000
			21 Jun 2016 to 20 Jun 2023[6]	20,000	–	–	–	20,000
			21 Jun 2016 to 20 Jun 2023[7]	50,000	–	–	–	50,000
			21 Jun 2016 to 20 Jun 2023[8]	120,000	–	–	–	120,000
				5,746,000	–	–	(487,000)	5,259,000

There are no share options cancelled during the year.

Share Options (continued)

Share Option Schemes (continued)

- **2012 Share Option Scheme (continued)**

  Notes:

  (1) On 21 June 2013, the Company granted share options to certain employees of the Company in order to reward them for contributing to the long term success of the business of the Group and to encourage and motivate them to continue to contribute to the success of the Group.

  (2) The grantee, Ms KWOK Lai Kwan Anna, is an associate of the chief executive and directors of the Company.

  (3) The grantee, Ms KWOK Lai Ying Ann, is an associate of the chief executive and directors of the Company.

  (4) The grantee, Ms KWOK Sea Nga Kitty, is an associate of the chief executive and directors of the Company.

  (5) The grantee, Mr KWOK Siu Hung Vincent, is an associate of the chief executive and directors of the Company.

  (6) The grantee, Mr KWOK Siu Keung Paul, is an associate of the chief executive and directors of the Company.

  (7) The grantee, Ms KWOK Sze Wai Melody, is an associate of the chief executive and directors of the Company.

  (8) The grantee, Mr LAW Kin Ming Peter, is an associate of the chief executive and directors of the Company.

  Fair values of the share options, measured at the grant date of the options, were determined using the binomial lattice model that is based on the underlying assumptions of one of the commonly used employee option pricing models. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

Share Award Scheme

The share award scheme was adopted by the Board on 11 April 2014 (the "Share Award Scheme"). Under the Share Award Scheme, the Board may, from time to time, at its absolute discretion, select any eligible employees as selected employees and grant awarded Shares to them at no consideration. The awarded Shares were acquired by the independent trustee, at the costs of the Company, and held under a trust on and subject to, among others, the terms and conditions of the Share Award Scheme. Awarded Shares will be vested in the selected employees according to the terms of grant determined by the Board.

As at 31 March 2018, a total of 4,952,000 awarded Shares had been granted pursuant to the Share Award Scheme, out of which 475,000 awarded Shares remained unvested. During the year, a total of 320,000 awarded Shares lapsed and remained part of the trust fund under the Share Award Scheme. A summary of the Share Award Scheme is set out below:

(a) Purpose

The purposes of the Share Award Scheme are: (a) to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (b) to attract suitable personnel for further development of the Group.

(b) Administration

The Share Award Scheme may be subject to the administration of the Board and the trustee in accordance with the scheme rules and the trust deed.

Share Award Scheme (continued)

(c) Duration

Subject to any early termination as may be determined by the Board pursuant to the scheme rules, the Share Award Scheme shall be valid and effective for a term of 15 years commencing from 11 April 2014, the date on which the Share Award Scheme was adopted.

(d) Maximum Limit

The maximum number of Shares which may be granted under the Share Award Scheme shall not exceed 5% of the total issued Shares from time to time. The maximum number of Shares which may be awarded to a selected employee under the Share Award Scheme within a period of 12 months shall not exceed 1% of the total issued Shares from time to time.

(e) Operation

The Board may, from time to time, at its sole and absolute discretion, select any employee, other than the excluded employee (as defined in the Share Award Scheme), as a selected employee for participation in the Share Award Scheme. In determining the number of Shares to be awarded to a selected employee, the Board may take into consideration the rank and performance of the relevant selected employee. The Board may impose any conditions (including a period of continued service with a specified member of the Group after the date on which an award is made by the Board) as it deems appropriate in its absolute discretion with respect to the entitlement of a selected employee to the awarded Shares.

No award shall be made and no instructions to acquire Shares shall be given to the trustee under the Share Award Scheme where any director of the Company possesses unpublished price sensitive or inside information in relation to the Group or the Shares or where dealings by directors of the Company are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time.

The Board shall from time to time cause to be paid funds out of the Group's resources to the trustee sufficient for the acquisition of the awarded Shares. The trustee shall keep the Board informed from time to time of the number of Shares purchased and the price at which those Shares have been purchased. The Shares so purchased and any balance of the funds after completion of the purchase shall also form part of the trust fund.

(f) Vesting and Lapse

A selected employee shall be entitled to receive the awarded Shares vested in him in accordance with the vesting schedule (if any) and subject to the selected employee having satisfied all vesting conditions (if any) specified by the Board at the time of making the award. Vesting of the Shares will be conditional on the selected employee remaining an employee of the Group as provided in the scheme rules on the relevant vesting dates.

An award may lapse on occurrence on certain events under the Share Award Scheme. The events include, among other things, where a selected employee ceases to be an eligible employee at any time before the vesting date by reason of termination of his employment or engagement summarily by the Group as an employer, his resignation or his retirement (unless his contract of employment or engagement with the Group is renewed or he is re-engaged under a new contract of employment with the Group). If a selected employee dies prior to a vesting date, all the awarded Shares shall be deemed to be vested on the day immediately prior to his/her death.

Share Award Scheme (continued)

(f) Vesting and Lapse (continued)

If a selected employee is found to be an excluded employee or fails to return duly executed transfer documents for the relevant Shares awarded within the stipulated period, the relevant part of an award made to such selected employee will automatically lapse forthwith. The relevant Shares awarded shall not vest on the relevant vesting date but shall be held in the Trust fund for making other awards under the Share Award Scheme. If there occurs an event of change in control of the Company, or the Company's subsidiary employing the selected employee ceases to be a subsidiary of the Company, the vesting of all awarded Shares shall accelerate in accordance with the rules of the Share Award Scheme.

The trustee shall hold any awarded Shares which have lapsed, forfeited or failed to vest in the relevant selected employees as part of the trust fund exclusively for the benefit of all or one or more of the selected employees (excluding any excluded employee). The Board may in its discretion make awards out of such Shares in accordance with the trust and the Share Award Scheme.

(g) Voting Rights

The trustee shall not exercise the voting rights in respect of any Shares held by it under the trust.

(h) Termination

The Share Award Scheme shall terminate on the earlier of the fifteenth (15th) anniversary date of 11 April 2014, the date on which the Share Award Scheme was adopted or such date of early termination as determined by the Board. Upon termination, no further grant of awarded Shares may be made.

Details of the awarded Shares granted under the Share Award Scheme and their movements during the year are set out below:

				Number of awarded Shares				
Name	Date of award	Average fair value per Share (HK$)	Vesting period*	Outstanding as at 1 April 2017	Awarded during the year	Vested during the year	Lapsed during the year	Outstanding as at 31 March 2018
Director								
Dr LOOK Guy	31 Jul 2017	2.87	31 Jul 2017 to 31 Mar 2018	–	100,000	(100,000)	–	–
Employees	30 Sep 2014	5.32	30 Sep 2014 to 30 Sep 2017	105,000	–	(80,000)	(25,000)	–
	28 Nov 2014	5.83	28 Nov 2014 to 28 Nov 2017	75,000	–	(75,000)	–	–
	30 Jan 2015	5.02	30 Jan 2015 to 30 Jan 2018	60,000	–	(60,000)	–	–
	31 Jul 2015	3.48	31 Jul 2015 to 31 Jul 2018	50,000	–	(25,000)	(25,000)	–
	29 Jan 2016	2.12	29 Jan 2016 to 29 Jan 2019	50,000	–	(15,000)	(20,000)	15,000
	30 Jun 2016	3.04	30 Jun 2016 to 30 Jun 2019	250,000	–	–	(250,000)	–
	31 Jul 2017	2.87	31 Jul 2017 to 31 Mar 2020	–	480,000	(170,000)	–	310,000
	30 Nov 2017	3.01	30 Nov 2017 to 21 Aug 2020	–	120,000	(20,000)	–	100,000
Associates of Directors	30 Sep 2014	5.32	30 Sep 2014 to 30 Sep 2017	60,000	–	(60,000)	–	–
	29 Jul 2016	3.38	29 Jul 2016 to 29 Jul 2019	70,000	–	(20,000)	–	50,000
				720,000	700,000	(625,000)	(320,000)	475,000

* The period during which all the specified vesting conditions of the awarded Shares are to be satisfied.

Pre-emptive Rights
There are no provisions for pre-emptive rights under the Company's articles of association and there are no restrictions against such rights under the laws in the Cayman Islands where the Company was incorporated.

Buy-back, Sale or Redemption of Shares
During the year, there was no buy-back, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

Subsidiaries
Details of the Company's principal subsidiaries as at 31 March 2018 are set out in Note 29 to the consolidated financial statements.

Capitalised Interest
No interest was capitalised by the Group during the year (2017: nil).

Distributable Reserves
As at 31 March 2018, the reserves of the Company available for distribution amounted to HK$1,773,803,000 (2017: HK$1,596,078,000).

Donations
The Group made donations during the year totalling HK$4,696,000 (2017: HK$3,365,000).

Directors
The Directors who held office during the year and up to the date of this report were:

Executive Directors
Dr KWOK Siu Ming Simon, *SBS, JP* (Chairman and CEO)
- date of appointment as a Director: 3 December 1996*
- date of last re-election in AGM as a Director: 19 August 2015

Dr KWOK LAW Kwai Chun Eleanor, *BBS, JP* (Vice-chairman)
- date of appointment as a Director: 3 December 1996*
- date of last re-election in AGM as a Director: 30 August 2016

Dr LOOK Guy (CFO)
- date of appointment as a Director: 10 September 2002*
- date of last re-election in AGM as a Director: 30 August 2016

Non-executive Director
Ms LEE Yun Chun Marie-Christine
- date of appointment as a Director: 26 February 2013
- date of last re-election in AGM as a Director: 29 August 2017
- term of directorship: three years commencing from 22 August 2016*

* Subject to the provisions on rotation and retirement in the articles of association of the Company.

Directors (continued)

Independent Non-executive Directors

Ms TAM Wai Chu Maria, *GBM, GBS, JP*

- date of appointment as a Director: 24 June 2004
- date of last re-election in AGM as a Director: 30 August 2016
- term of directorship: three years commencing from 24 June 2016*

Ms KI Man Fung Leonie, *GBS, SBS, JP*

- date of appointment as a Director: 15 December 2006
- date of last re-election in AGM as a Director: 19 August 2015
- term of directorship: three years commencing from 15 December 2015*

Mr TAN Wee Seng

- date of appointment as a Director: 11 March 2010
- date of last re-election in AGM as a Director: 29 August 2017
- term of directorship: three years commencing from 26 August 2016*

Retired on 29 August 2017

Dr LEUNG Kwok Fai Thomas, *PhD, BBS, JP*

- date of appointment as a Director: 1 January 2000
- date of last re-election in AGM as a Director: 21 August 2014

In accordance with Article 116 of the articles of association of the Company, Dr KWOK Siu Ming Simon, Dr KWOK LAW Kwai Chun Eleanor and Ms KI Man Fung Leonie will retire by rotation at the forthcoming AGM.

Confirmation of Independence from INEDs

The Company has received a written confirmation from each INED of his/her independence pursuant to Rule 3.13 of the Listing Rules which has been reviewed by the Nomination Committee. Both the Nomination Committee and the Board consider all INEDs to be independent throughout the year and that they remain so as at the date of this Annual Report.

Directors' Service Contracts

None of the Directors offering themselves for re-election at the forthcoming AGM has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Contracts of Significance

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any Director is or was materially interested, either directly or indirectly, subsisted during or at the end of the year.

Indemnification of Directors

The articles of association of the Company provide that Directors shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. All Directors have the benefit of Directors' and officers' liability insurance.

* Subject to the provisions on rotation and retirement in the articles of association of the Company.

Biographical Details of Directors and Senior Management

The updated biographical information of the Directors and senior management are set out on pages 54 to 59 of this Annual Report.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 March 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code are set out below:

(I) Long Position in the Shares, Underlying Shares and Debentures of the Company

	Number of Shares in the Company					
Name of Director	Personal interests	Family interests	Corporate interests	Derivatives interests	Total interests	Approximate percentage of the Shares in issue[1]
Dr KWOK Siu Ming Simon	40,728,000	–	1,915,333,768[2]	–	1,956,061,768	64.37%
Dr KWOK LAW Kwai Chun Eleanor	–	40,728,000	1,915,333,768[2]	–	1,956,061,768	64.37%
Dr LOOK Guy	300,000	–	–	22,145,988[3]	22,445,988	0.74%
Ms TAM Wai Chu Maria	2,143,953	–	–	–	2,143,953	0.07%

Notes:

(1) Base on 3,038,854,398 Shares in issue as at 31 March 2018.

(2) These Shares are held as to 1,484,312,877 Shares by Sunrise Height Incorporated and as to 431,020,891 Shares by Green Ravine Limited. Both Sunrise Height Incorporated and Green Ravine Limited are owned as to 50% each by Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor.

(3) Details of Dr LOOK Guy's derivatives interests in the Shares of the Company for the year ended 31 March 2018 are disclosed in the Share options and Share award scheme sections on pages 152 & 158 of this report.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures (continued)

(II) Long Position in the Shares, Underlying Shares and Debentures of Associated Corporations

Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor are each taken to be interested in all the issued non-voting deferred shares (the "Deferred Shares") of Base Sun Investment Limited ("Base Sun"), Matford Trading Limited ("Matford"), Sa Sa Cosmetic Company Limited and Sa Sa Investment (HK) Limited, all of which are wholly-owned subsidiaries of the Company. Details of interests in the Deferred Shares as at 31 March 2018 are set out below:

Dr KWOK Siu Ming Simon

	Number of Deferred Shares in the associated corporation					
Name of associated corporation	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Percentage of shareholding to all the Deferred Shares of associated corporation
Base Sun Investment Limited	–	–	2[1]	–	2	100%
Matford Trading Limited	3[2]	–	–	–	3	50%
Sa Sa Cosmetic Company Limited	1	–	–	–	1	50%
Sa Sa Investment (HK) Limited	1	–	–	–	1	50%

Dr KWOK LAW Kwai Chun Eleanor

	Number of Deferred Shares in the associated corporation					
Name of associated corporation	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Percentage of shareholding to all the Deferred Shares of associated corporation
Base Sun Investment Limited	–	–	2[1]	–	2	100%
Matford Trading Limited	3[3]	–	–	–	3	50%
Sa Sa Cosmetic Company Limited	1	–	–	–	1	50%
Sa Sa Investment (HK) Limited	1	–	–	–	1	50%

Notes:

(1) Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor together hold two Deferred Shares in Base Sun through Win Win Group International Limited ("Win Win") and Modern Capital Investment Limited ("Modern Capital"). Win Win and Modern Capital are companies owned as to 50% each by Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor and each of Win Win and Modern Capital holds one Deferred Share in Base Sun.

(2) Dr KWOK Siu Ming Simon holds three Deferred Shares in Matford through Mr YUNG Leung Wai Tony who acts as a nominee shareholder.

(3) Dr KWOK LAW Kwai Chun Eleanor holds three Deferred Shares in Matford through Ms KWOK Lai Yee Mabel who acts as a nominee shareholder.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures (continued)

(II) Long Position in the Shares, Underlying Shares and Debentures of Associated Corporations (continued)

Save as disclosed above, no Director or chief executive of the Company has any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Benefits from Rights to Acquire Shares or Debentures

Save as disclosed under the Share Options and Share Award scheme sections on pages 152 & 158, at no time during the year was the Company or its subsidiaries, a party to any arrangements which enabled the Directors (including their spouses or children under 18 years of age), to acquire benefits by means of acquisition of shares in or debenture of the Company or any other body corporate.

Interests and Short Positions in Shares and Underlying Shares of Substantial Shareholders

As at 31 March 2018, Shareholders, other than a Director or chief executive of the Company, who had interests and short positions in the shares and underlying shares of the Company which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO are as follows:

Long Position of Substantial Shareholders in the Shares

Name of company	Capacity	No. of Shares held	Approximate percentage shareholding[1]
Sunrise Height Incorporated[2]	Beneficial owner	1,484,312,877	48.84%
Green Ravine Limited[2]	Beneficial owner	431,020,891	14.18%

Notes:

(1) Base on 3,038,854,398 Shares in issue as at 31 March 2018.

(2) Both Sunrise Height Incorporated and Green Ravine Limited are owned as to 50% each by Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor.

Interests in Shares of Other Persons

As at 31 March 2018, the Company has not been notified of any persons (other than the Directors or chief executives or substantial shareholders of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register to be kept under Section 336 of the SFO.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Related Party Transaction

The rental expenses disclosed in Note 28 to the consolidated financial statements do not constitute discloseable connected transaction under the Listing Rules.

Connected Transactions

During the year, there were no connected transactions or continuing connected transactions that were not fully exempted from shareholders' approval, annual review and all disclosure requirements under the Listing Rules.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the total issued share capital of the Company is held by the public as at the date of this report.

Auditor

The financial statements for the year have been audited by PwC who retired and, being eligible, offered itself for re-appointment. A resolution to re-appoint it and to authorise the Directors to fix its remuneration will be proposed for approval at the forthcoming AGM.

On behalf of the Board

KWOK Siu Ming Simon
Chairman and CEO

Hong Kong, 21 June 2018

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

Independent Auditor's Report
To the Shareholders of Sa Sa International Holdings Limited
(incorporated in Cayman Islands with limited liability)

Opinion

What We Have Audited

The consolidated financial statements of Sa Sa International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 170 to 235, which comprise:

- the consolidated statement of financial position as at 31 March 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment of retail store assets
- Provision for inventory

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of retail store assets	
Refer to Note 13 to the consolidated financial statements The Group had HK$340.2 million of property, plant and equipment as at 31 March 2018, of which approximately HK$100.4 million was attributable to its retail stores. The carrying amount of the retail store assets is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Management regards each individual retail store as a separately identifiable cash-generating unit and monitors their financial performance for the existence of impairment indicators, such as stores making a loss and early closure of stores before the lease term. The Group usually allows for a period of 6 to 18 months at the beginning of the lease for loss making new stores, depending on the tenure of lease (the "shelter period"). Management carried out an impairment assessment for the retail store assets which have an impairment indicator (referred to as "underperforming retail stores") and as a result an impairment loss of HK$5.7 million has been recognised in the consolidated income statement for the year. The recoverable amount of the assets of underperforming stores is determined by value-in-use calculations using discounted cash flow projections based on the financial forecasts approved by management covering the remaining tenure of the lease.	We evaluated management's assessment process for identifying underperforming retail stores by: – enquiring of management on their basis of identifying impairment indicators; – challenging the judgements made in the identification of impairment indicators; – comparing current year's performance of retail stores with impairment indicators to the store prior year's performance; – comparing the actual performance, for newly opened stores, to the budget; and – assessing the appropriateness of the shelter period applied to newly opened retail stores by comparing the budget for stores prepared upon their opening to the historical data of stores nearby. We tested the impairment calculation by performing the following procedures: – compared the forecasted sales performance to the approved business plan, and compared estimated running costs to the historical records; – enquired of management in relation to key assumptions in their business plan and evaluated the key assumptions (such as revenue growth rate and gross profit margin) applied by comparing them to historical information and our understanding of latest market information and conditions;

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
We focused on this area because significant estimation and judgement were involved in deciding whether a retail store has an impairment indicator and in determining the recoverable amounts of the relevant retail store assets.	– recomputed the impairment loss calculation; and – evaluated the sensitivity analysis to ascertain the extent of change in the key assumptions either individually or collectively that would result in the retail store assets being impaired and also considered the likelihood of such a change in the key assumptions arising. Based on our work performed, we found the impairment of retail store assets made by management to be supported by available evidence.
Provision for inventory	
Refer to Note 16 to the consolidated financial statements The Group had net inventories of HK$1,337 million as at 31 March 2018, which represented approximately 37.4% of the Group's total assets. The Group estimates the provision for inventory based on the inventory turnover days and sales performance of individual stock keeping units ("SKU") and makes specific provision for near-expiry and slow-moving inventory by SKU. The Group also estimates the shrinkage provision with reference to the level of inventory loss in the prior year. We focused on this area because of the magnitude of the inventories and the estimation of the net realisable value of inventories involved a high level of management judgement. These estimations are also subjected to uncertainty as a result of change of market trends and competitor actions.	We evaluated management's basis for the inventory provisions and evaluated the outcome of management's estimations, analysis made by management and methodology applied to identify slow moving and obsolete SKUs. We evaluated the estimates made by management and used to determine the provisioning percentages applicable to different SKUs by discussion with management on the latest market trend and their sales strategy and by comparing the level of inventories written-off during the year to the provisions made in prior year. We also compared the shrinkage provision with the actual inventory loss for the past year. We performed a recalculation, on a sample basis, of the inventory provision made on individual SKUs. Based on the procedures performed, we consider management's judgement and estimates in the assessment of the net realisable value of inventory, to be supported by the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Yuen Kwok Kin Andrew.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 June 2018

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2018

	Note	2018 HK$'000	2017 HK$'000 Restated
Continuing operations			
Turnover	2	8,017,613	7,551,074
Cost of sales	5	(4,643,747)	(4,410,565)
Gross profit		3,373,866	3,140,509
Other income	2	93,211	105,141
Selling and distribution costs	5	(2,608,162)	(2,525,908)
Administrative expenses	5	(315,474)	(307,067)
Other gains/(losses) – net	4	5,392	(1,453)
Operating profit		548,833	411,222
Finance income	8	11,778	9,980
Profit before income tax		560,611	421,202
Income tax expense	9	(95,368)	(78,693)
Profit for the year from continuing operations		465,243	342,509
Loss for the year from discontinued operation	10	(25,123)	(15,804)
Profit for the year attributable to owners of the Company		440,120	326,705
Earnings per share from continuing operations attributable to owners of the Company for the year (expressed in HK cents per share)			
Basic	11	15.4	11.7
Diluted	11	15.4	11.7
Earnings per share for profit attributable to owners of the Company for the year (expressed in HK cents per share)			
Basic	11	14.6	11.2
Diluted	11	14.6	11.2

The notes and disclosures on pages 177 to 235 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
Profit for the year		**440,120**	326,705
Other comprehensive income/(loss)			
Item that will not be reclassified subsequently to profit or loss			
Actuarial gains on retirement benefit obligations	23 (b)	**3,707**	2,593
Items that may be reclassified to profit or loss			
Cash flow hedges, net of tax		**258**	87
Currency translation differences of foreign subsidiaries recorded in translation reserve		**41,139**	(21,576)
Other comprehensive income/(loss) for the year, net of tax		**45,104**	(18,896)
Total comprehensive income for the year attributable to owners of the Company		**485,224**	307,809
Total comprehensive income for the year attributable to owners of the Company arises from:			
Continuing operations		**508,142**	320,050
Discontinued operation	10	**(22,918)**	(12,241)
		485,224	307,809

The notes and disclosures on pages 177 to 235 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	340,166	284,242
Rental deposits, prepayments and other assets	14	151,256	150,680
Deferred tax assets	15	5,276	13,620
		496,698	448,542
Current assets			
Inventories	16	1,337,263	1,221,794
Trade receivables	17	145,417	67,076
Other receivables, deposits and prepayments	18	232,310	222,940
Time deposits	19	915,802	513,024
Cash and cash equivalents	19	449,558	455,701
		3,080,350	2,480,535
LIABILITIES			
Current liabilities			
Trade payables	20	619,702	313,913
Other payables and accruals	21	357,109	291,792
Income tax payable		60,670	44,871
		1,037,481	650,576
Net current assets		2,042,869	1,829,959
Total assets less current liabilities		2,539,567	2,278,501
Non-current liabilities			
Retirement benefit obligations	23	3,494	6,588
Deferred tax liabilities	15	268	327
Other payables		52,965	52,420
		56,727	59,335
Net assets		2,482,840	2,219,166

	Note	2018 HK$'000	2017 HK$'000
EQUITY			
Capital and reserves			
Share capital	24	303,885	299,444
Reserves	25	2,178,955	1,919,722
Total equity		2,482,840	2,219,166

On behalf of the Board

KWOK Siu Ming Simon
Director

KWOK LAW Kwai Chun Eleanor
Director

The notes and disclosures on pages 177 to 235 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Note	Attributable to owners of the Company		
		Share capital HK$'000	Reserves HK$'000	Total HK$'000
Balance at 1 April 2017		299,444	1,919,722	2,219,166
Profit for the year		–	440,120	440,120
Other comprehensive income:				
Actuarial gains on retirement benefit obligations		–	3,707	3,707
Cash flow hedges, net of tax		–	258	258
Currency translation differences of foreign subsidiaries recorded in translation reserve		–	41,139	41,139
Total comprehensive income for the year		–	485,224	485,224
Share Award Scheme:				
Value of employee services	24 & 25	–	1,065	1,065
Employee share option scheme:				
Proceeds from shares issued upon exercise of share options	24 & 25	2	61	63
Issue of shares upon scrip dividend of 2016/17 final dividend	24 & 25	2,809	74,160	76,969
Issue of shares upon scrip dividend of 2017/18 interim dividend	24 & 25	1,630	43,853	45,483
Unclaimed dividends forfeited	25	–	214	214
Dividends:				
2016/17 final dividend	25	–	(239,555)	(239,555)
2017/18 interim dividend	25	–	(105,789)	(105,789)
Total transactions with owners, recognised directly in equity		4,441	(225,991)	(221,550)
Balance at 31 March 2018		303,885	2,178,955	2,482,840

	Note	Share capital HK$'000	Reserves HK$'000	Total HK$'000
		Attributable to owners of the Company		
Balance at 1 April 2016		289,213	1,999,073	2,288,286
Profit for the year		–	326,705	326,705
Other comprehensive loss:				
Actuarial gains on retirement benefit obligations		–	2,593	2,593
Cash flow hedges, net of tax		–	87	87
Currency translation differences of foreign subsidiaries recorded in translation reserve		–	(21,576)	(21,576)
Total comprehensive income for the year		–	307,809	307,809
Share Award Scheme:				
Value of employee services	24 & 25	–	8,377	8,377
Shares purchased for Share Award Scheme	24(b)	–	(5,343)	(5,343)
Employee share option scheme:				
Value of employee services	24 & 25	–	840	840
Issue of shares upon scrip dividend of 2015/16 final and special dividends	24 & 25	6,872	192,424	199,296
Issue of shares upon scrip dividend of 2016/17 interim and special dividends	24 & 25	3,359	102,104	105,463
Unclaimed dividends forfeited	25	–	274	274
Dividends:				
2015/16 final and special dividends	25	–	(419,359)	(419,359)
2016/17 interim dividend	25	–	(148,043)	(148,043)
2016/17 special dividend	25	–	(118,434)	(118,434)
Total transactions with owners, recognised directly in equity		10,231	(387,160)	(376,929)
Balance at 31 March 2017		299,444	1,919,722	2,219,166

The notes and disclosures on pages 177 to 235 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Cash generated from operations	26(a)	820,280	439,205
Hong Kong profits tax paid		(44,813)	(49,902)
Overseas tax paid		(27,253)	(32,580)
Net cash generated from operating activities		748,214	356,723
Cash flows from investing activities			
Purchase of property, plant and equipment		(153,546)	(81,881)
Proceeds from disposal of property, plant and equipment	26(b)	1,613	315
Increase in time deposits		(402,778)	(119,780)
Interest received		8,494	6,924
Net cash used in investing activities		(546,217)	(194,422)
Cash flows from financing activities			
Purchase of shares for Share Award Scheme	24(b)	–	(5,343)
Unclaimed dividends forfeited		214	274
Proceeds from shares issued upon exercise of share options		63	–
Cash dividends paid to Company's shareholders		(222,892)	(381,077)
Net cash used in financing activities		(222,615)	(386,146)
Net decrease in cash and cash equivalents		(20,618)	(223,845)
Cash and cash equivalents at beginning of year	19	455,701	685,763
Effect of foreign exchange rate changes		14,475	(6,217)
Cash and cash equivalents at end of year	19	449,558	455,701

The notes and disclosures on pages 177 to 235 are an integral part of these consolidated financial statements.

SIGNIFICANT ACCOUNTING POLICIES

Apart from the accounting policies presented within the corresponding notes to the consolidated financial statements, other significant accounting policies are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1 Basis of Preparation

Sa Sa International Holdings Limited (the "Company") and its subsidiaries are collectively referred as the Group in the consolidated financial statements. The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in "Critical Accounting Estimates and Judgements" on page 190.

2 Changes in Accounting Policies and Disclosures

(i) Amendments to Standards Mandatory for the First Time for the Financial Year Beginning 1 April 2017 and were Early Adopted in Prior Years

- HKAS 7 (Amendment), "Statement of cash flows – disclosure initiative"

- HKAS 12 (Amendment), "Recognition of deferred tax assets for unrealised tax losses"

(ii) Amendment to Standard Mandatory for the First Time for the Financial Year Beginning 1 April 2017 and was Not Early Adopted in Prior Years

- HKFRS 12 (Amendment), "Disclosure of interest in other entities"

The Group has adopted the amendment and the adoption of the amendment did not have significant impacts on the Group's financial position and results as of and for the year ended 31 March 2018.

(iii) Early Adoption of Amendments to Standards and Interpretations During the Year Ended 31 March 2018 Where Early Adoption is Permitted

- HKAS 12 (Amendment), "Income taxes" (effective for annual periods beginning on or after 1 April 2019). The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. These requirements apply to all income tax consequences of dividends. The early adoption of HKAS 12 (Amendment) does not have any impact to the Group as there is no tax consequence to dividend distribution of the Company.

- HKAS 19 (Amendment), "Employee benefits" (effective for annual periods beginning on or after 1 April 2019). The amendment requires an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The early adoption of HKAS 19 (Amendment) does not have significant impact to the Group as the Group does not have significant amount of defined benefit plans during the year.

2 Changes in Accounting Policies and Disclosures (continued)

(iii) Early Adoption of Amendments to Standards and Interpretations During the Year Ended 31 March 2018 Where Early Adoption is Permitted (continued)

- HKAS 23 (Amendment), "Borrowing costs" (effective for annual periods beginning on or after 1 April 2019). The amendments clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. The early adoption of HKAS 23 (Amendment) does not have any impact to the Group as the Group does not have any borrowing.

- HKAS 28 (Amendment), "Investments in associates and joint ventures" (effective for annual periods beginning on or after 1 April 2018). The amendment is part of the annual improvements to HKFRSs 2014-2016 cycle. HKAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss (FVTPL). This election should be made separately for each associate or joint venture at initial recognition. The early adoption of HKAS 28 (Amendment) does not have any impact to the Group as the Group is not classified as venture capital organisations, mutual funds, unit trusts or similar entities and it does not have any investments in associates or joint ventures.

- HKFRS 3 (Amendment), "Business combination" (effective for annual periods beginning on or after 1 April 2019). The amendments clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages. The acquirer should re-measure its previously held interest in the joint operation at fair value at of the acquisition date. The early adoption of HKFRS 3 (Amendment) does not have any impact to the Group as the Group does not obtain any control of a business that is a joint operation.

- HKFRS 11 (Amendment), "Joint arrangements" (effective for annual periods beginning on or after 1 April 2019). The amendments clarified that the party obtaining joint control of a business that is a joint operation should not re-measure its previously held interest in the joint operation. The early adoption of HKFRS 11 (Amendment) does not have any impact to the Group as the Group does not hold any interest in a joint operation.

- HK (IFRIC) 22, "Foreign currency transactions and advance consideration" (effective for annual periods beginning on or after 1 April 2018). This interpretation clarified the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency. The early adoption of HK (IFRIC) 22 does not have significant impact to the Group as the Group does not have significant amount of advance consideration receive or pay during the year.

- HK (IFRIC) 23, "Uncertainty over income tax treatments" (effective for annual periods beginning on or after 1 April 2019). This interpretation clarified how the recognition and measurement requirements of HKAS 12 "Income taxes", are applied where there is uncertainty over income tax treatments. The early adoption of HK (IFRIC) 23 does not have any impact to the Group as the Group does not have significant uncertainty over income tax treatments.

2 Changes in Accounting Policies and Disclosures (continued)

(iv) The Following New and Amendments to Standards Have Been Issued But are Not Effective for the Financial Year Beginning 1 April 2017 and Have Not Been Early Adopted

- HKFRS 1 (Amendment), "First time adoption of HKFRS" (effective for annual periods beginning on or after 1 April 2018)
- HKFRS 9, "Financial instruments" (effective for annual periods beginning on or after 1 April 2018)
- HKFRS 9 (Amendment), "Prepayment features with negative compensation" (effective for annual periods beginning on or after 1 April 2019)
- HKFRS 15, "Revenue from contracts with customers" (effective for annual periods beginning on or after 1 April 2018)
- HKFRS 15 (Amendment), "Clarification to HKFRS 15" (effective for annual periods beginning on or after 1 April 2018)
- HKFRS 16, "Leases" (effective for annual periods beginning on or after 1 April 2019)

HKFRS 9, "Financial Instruments"

Nature of Change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 April 2018.

The debt instruments currently classified as loans and receivables meet the conditions for classification at amortised cost under HKFRS 9. Hence there will be no change to the accounting for these assets. Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect significant increase or decrease in the loss allowance for trade receivables.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

2 Changes in Accounting Policies and Disclosures (continued)

(iv) The Following New and Amendments to Standards Have Been Issued But are Not Effective for the Financial Year Beginning 1 April 2017 and Have Not Been Early Adopted (continued)

HKFRS 9, "Financial Instruments" (continued)

Date of Adoption by the Group

This standard is mandatory for financial years starting on or after 1 April 2018. The Group will apply the new rules retrospectively from 1 April 2018, with the practical expedients permitted under the standard. Comparatives for 2018 will not be restated.

HKFRS 15, "Revenue from Contracts With Customers"

Nature of Change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

The management of the Group has assessed the effects of applying the new standard on the Group's consolidated financial statements and does not expect a significant impact on the recognition of revenue.

Date of Adoption by the Group

This standard is mandatory for financial years starting on or after 1 April 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact on the adoption will be recognised in retained earnings as of 1 April 2018 and that comparatives will not be restated.

HKFRS 16, "Leases"

Nature of Change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$1,604,140,000 (Note 27(b)). The Group estimates those related to payments for short-term or low value leases which will be recognised on a straight-line basis as an expense in profit or loss are insignificant.

The Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments, extension and termination options and of sub-lease accounting. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

2 Changes in Accounting Policies and Disclosures (continued)

(iv) The Following New and Amendments to Standards Have Been Issued But are Not Effective for the Financial Year Beginning 1 April 2017 and Have Not Been Early Adopted (continued)

HKFRS 16, "Leases" (continued)

Date of Adoption by the Group

This standard is mandatory for financial years starting on or after 1 April 2019. The Group will adopt this new standard when it is appropriate to do so.

Apart from aforementioned new standards, the directors of the Company are in the process of assessing the financial impact of the adoption of the above amendments to standards. The directors of the Company will adopt the amendments to standards when it is appropriate to do so.

3 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

4 Separate Financial Statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the financial statements of the Company exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

5 Operating Leases

Leases in which a significant portion of the risks and rewards of ownership retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset.

Lease income on operating lease is recognised over the term of the lease on a straight-line basis.

6 Impairment of Non-financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

7 Financial Assets

(i) Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables (Note 14, 17 and 18) and cash and bank balances (Note 19) in the statement of financial position.

(ii) Recognition and Measurement

Regular purchases and sales of financial assets are recognised on the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

(iii) Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

7 Financial Assets (continued)

(iii) Impairment of Financial Assets (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

8 Foreign Currency Translation

(i) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is the Company's functional and the Group's and the Company's presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses are presented in the income statement within "other gains/(losses) – net".

(iii) Group Companies

The results and financial positions of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

– income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting exchange differences are recognised in other comprehensive income.

9 Employee Benefits

(i) Employee Leave Entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

9 Employee Benefits (continued)

(ii) Retirement Benefit Obligations

The Group operates various post-employments scheme, including defined contribution and defined benefit retirement plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in income statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Long Service Payments

The Group's net obligation in respect of amounts payable on cessation of employment in certain circumstances under the employment law of the respective countries in which the Group operates is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Long service payments are assessed using the projected unit credit method. The cost of providing the long service payment liabilities is charged to the income statement so as to spread the cost over the service lives of employees in accordance with the advice of the actuaries.

9 Employee Benefits (continued)

(iii) Long Service Payments (continued)

Long service payments are discounted to determine the present value of obligation and reduced by entitlement accrued under the Group's defined contribution plans that are attributable to contributions made by the Group. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income statement.

(iv) Bonus Plan

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liability for bonus plan is expected to be settled within 12 months and is measured at the amount expected to be paid when it is settled.

(v) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange of these benefits. The Group recognises termination benefits at the earlier or the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits.

10 Share-based Payment

(i) Equity-settled Share-based Payment Transactions

The Group operates two equity-settled, Share Option Scheme and Share Award Scheme, under which the entity receives services from employees as consideration for equity instruments (options or awarded shares) of the Group. The fair value of the employee services received in exchange for the grant of the options or awarded shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted or shares awarded:

- including any market performance conditions (for example, an entity's share price); and

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period).

Non-market performance and service conditions are included in assumptions about the number of options or awarded shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options or awarded shares that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

10 Share-based Payment (continued)

(i) Equity-settled Share-based Payment Transactions (continued)

Upon vesting and transfer of the awarded shares to the awardees, the related costs of the awarded shares are credited to shares held under the Share Award Scheme, and the related fair value of the shares are debited to employee share-based compensation reserve.

(ii) Share-based Payment Transactions Among Group Entities

The grant by the Company of options or share awards over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

(iii) Share Held for Share Award Scheme

When the Company's share are acquired from the market by the trust set up by the Company under the Share Award Scheme, the total consideration of shares acquired from the market (including any directly attributable incremental costs) is presented as "Shares held under the Share Award Scheme" and deducted from total equity. Upon vesting, the related costs of the vested shares for Share Award Scheme purchased from the market are credited to "Shares held under the Share Award Scheme", with a corresponding decrease in "Employee share-based compensation reserve" for Share Award Scheme.

11 Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

12 Provisions

Provisions are recognised when the Group has a present legal and constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligations using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1. Financial Risk Factors

The Group's activities expose it to a variety of financial risks including foreign exchange risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by management who identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating subsidiaries. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Foreign Exchange Risk

The Group operates in various countries and is exposed to foreign exchange risk against Hong Kong dollar arising from foreign exchange exposure. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operation.

Most of the assets, receipts and payments of the Group are either in Hong Kong dollar, US dollar, Euro or Renminbi. The Group minimises its foreign exchange exposure against purchase orders denominated in foreign currencies by entering into forward contracts with reputable financial institutions or at spot and maintain no material long position. The hedging policies are regularly reviewed by the Group.

Certain assets of the Group are denominated in US dollar but the foreign exchange risk is considered not significant as Hong Kong dollar exchange rate is pegged to US dollar.

The remaining Group's assets and liabilities are primarily denominated in the respective group companies' functional currency, which do not exposure the Group to material foreign exchange risk.

(ii) Credit Risk

Credit risk arises from deposits with banks and financial institutions, rental deposits and trade and other receivables. As at 31 March 2018, all bank balances and bank deposits are held at reputable financial institutions. The rental deposits and other receivables are from counterparties with good credit history. There is no history of defaults from these counterparties. In respect of trade receivables, the Group performs periodic credit evaluations of its customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly reviewed. Sales to retail customers are settled in cash or using major credit cards. No material credit limits were exceeded during the reporting period, and management does not expect any material losses from non-performance by these counterparties.

Trade receivables are due within 90 days from the date of invoice. As at 31 March 2018, 85.1% (2017: 86.9%) of the total trade receivables were due within 90 days. The maximum exposure to credit risk is represented by the carrying amount of trade receivables in the consolidated statement of financial position. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 17.

(iii) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and making available an adequate amount of committed credit facilities with staggered maturities to reduce refinancing risk in any year and to fund working capital, dividend payments, new investments and close out market positions if required. The Group has steady cash inflow from operations and has adequate financial resources to fund its operations and future expansions. As at 31 March 2018, the Group's financial liabilities were mainly trade payables and other payables amounting to HK$808,575,000 (2017: HK$462,683,000), which were substantially due within 3 months.

1. Financial Risk Factors (continued)

(iv) Interest Rate Risk

The Group's interest rate risk resulted from timing differences in the repricing of interest-bearing assets or liabilities. Major interest-bearing assets of the Group are short-term bank deposits and time deposits, details of which have been disclosed in Note 19. As any reasonable changes in interest rate would not result in a significant change in the Group's results, no sensitivity analysis is presented for interest rate risk.

The Group monitors its interest rate risk through management of maturity profile and choice of fixed or floating interest rates.

2 Capital Risk Management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. The Group defines the capital of the Group as the total shareholders' equity.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity. As at 31 March 2018 and 2017, the Group had no borrowings, the gearing ratio is not applicable.

3 Fair Value Estimation

The table below analyses the Group's financial assets and liabilities carried at fair value as at 31 March 2018 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 March 2018

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Derivatives used for hedging				
– Forward foreign exchange contracts	–	411	–	411
Total assets	–	411	–	411
Liabilities				
Derivatives used for hedging				
– Forward foreign exchange contracts	–	66	–	66
Total liabilities	–	66	–	66

3 Fair Value Estimation (continued)

As at 31 March 2017

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Derivatives used for hedging				
– Forward foreign exchange contracts	–	217	–	217
Total assets	–	217	–	217
Liabilities				
Derivatives used for hedging				
– Forward foreign exchange contracts	–	80	–	80
Total liabilities	–	80	–	80

Forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market.

There was no movement for the transfer between each level of financial assets and liabilities during the years ended 31 March 2018 and 2017.

There were no changes in valuation techniques during the years ended 31 March 2018 and 2017.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Income Taxes and Deferred Tax

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

As at 31 March 2018, the Group did not recognise deferred tax assets of HK$82,700,000 (2017: HK$70,533,000) in respect of tax losses and capital allowances amounting to HK$361,194,000 (2017: HK$303,117,000) and HK$39,432,000 (2017: HK$31,807,000) respectively that could be carried forward against future taxable income as the realisation of the related tax benefits through future taxable profit is not probable. Estimating the amount of deferred tax asset arising from tax losses requires a process that involves determining appropriate provisions for income tax expense, forecasting future year's taxable income and assessing our ability to utilise tax benefits through future earnings. In cases where the actual future profits generated are different from original estimates than expected, such differences will impact the recognition of deferred tax assets and income tax charges in the year in which such circumstances are changed.

(ii) Impairment of Non-financial Assets

The Group conducts impairment reviews of non-financial assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Determining whether an asset is impaired requires an estimation of the recoverable amount, which requires the Group to estimate the value-in-use which base on discounted future cash flows. Where the discounted actual future cash flows are less than expected, an impairment loss may arise. During the year, after reviewing the business environment as well as the Group's strategies and past performance of its cash-generating units, management concluded that there were impairment for plant and equipment totally HK$5,669,000 (2017: HK$10,423,000). Management believe that any reasonably possible changes in the assumptions used in the impairment reviews would not affect management's view on impairment at current year end.

(iii) Provision for Inventory

The Group estimates the provision for inventory based on the inventory turnover days and sales performance of inventories and made specific provision for near-expiry and slow-moving inventories. The Group also estimates the shrinkage provision with reference to the level of inventory loss in prior years.

Provision for inventory is recorded where events or changes in circumstances indicate that the carrying cost of inventories will not be fully realised. The quantification of inventory provision requires the use of estimates and judgement Where the outcomes are different from the original estimates, such differences will impact the carrying value of inventories and provisions for inventory in the years in which such estimates have been changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General Information

The Group is principally engaged in the retailing and wholesaling of cosmetic products.

The Company is a limited liability company incorporated in Cayman Islands. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company has its listing on The Stock Exchange.

As at 31 March 2018, 48.8% of the total issued shares of the Company were owned by Sunrise Height Incorporated, a company incorporated in the British Virgin Islands. The directors regard Sunrise Height Incorporated, which is owned 50.0% each by Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor, as being the ultimate holding company of the Company.

These consolidated financial statements are presented in thousands of Hong Kong dollar (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 21 June 2018.

2 Revenue and Turnover

Accounting Policy

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership which generally coincides with the time of the payment in cash or by credit cards for retail sale. For wholesale and internet transactions, revenue is recognised at the point that risks and rewards of the inventory have passed to the customer, which is the point of dispatch. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

Slide display rental income is recognised on an accrual basis in accordance with the terms of the relevant agreements.

Sub-lease income is recognised in the income statement on a straight-line basis over the term of the operating lease.

The Group operates the "Customer Loyalty Programme" where certain customers accumulate points for purchases made which entitle them to purchase goods for free or at a discounted price. The award points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale such that the award points are recognised at their fair value. Revenue from the award points is recognised when the points are redeemed or expired. The amount of initial revenue recognised is based on the number of points redeemed relative to the total number expected to be redeemed. All awarded points are expired on 31 March and there were no material award points outstanding as at year end.

2 Revenue and Turnover (continued)

The Group is principally engaged in the retailing and wholesaling of cosmetic products. Turnover represents the sales of goods to customers. An analysis of revenues recognised during the year is as follows:

	2018 HK$'000	2017 HK$'000 Restated
Turnover		
Retail and wholesale	**8,017,613**	7,551,074
Other income		
Slide display rental income	**60,894**	58,134
Sub-lease income	**32,317**	47,007
	93,211	105,141
	8,110,824	7,656,215

3 Segment Information

Accounting Policy

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive directors of the Group who make strategic and operating decisions.

Executive directors of the Group review the internal reporting of the Group in order to assess performance and allocate resources. Executive directors consider the business principally from a geographic perspective and assess the performance of the geographic segments based on a measure of segments results.

During the year ended 31 March 2018, the Group discontinued the business of retailing of cosmetic products in Taiwan which was previously included in "All other segments"; the comparatives have been restated. Business reportable segments identified are Hong Kong & Macau, Mainland China, E-commerce and All other segments. All other segments refer to markets in Singapore and Malaysia.

Segment assets consist primarily of property, plant and equipment, deferred tax assets, inventories, receivables, deposits and prepayments, time deposits and cash and cash equivalents. Capital expenditure comprises additions to property, plant and equipment.

3 Segment Information (continued)

The breakdown of key segment information including total turnover from external customers is disclosed below.

	For the year ended 31 March 2018				
	Hong Kong & Macau HK$'000	Mainland China HK$'000	E-commerce HK$'000	All other segments HK$'000	Total HK$'000
Turnover	6,761,559	298,724	383,345	573,985	8,017,613
Segment results	499,042	(10,215)	(28,267)	4,683	465,243
Other information					
Capital expenditure	134,733	10,756	2,002	18,640	166,131
Finance income	9,945	331	55	1,447	11,778
Income tax expense/(credit)	96,698	–	(9,033)	7,703	95,368
Depreciation	65,378	8,549	2,446	21,352	97,725
Provision for slow moving inventories and shrinkage	25,595	577	6,244	2,226	34,642
Impairment of property, plant and equipment	1,067	818	–	1,405	3,290

	For the year ended 31 March 2017				
	Hong Kong & Macau HK$'000	Mainland China HK$'000	E-commerce HK$'000	All other segments HK$'000 (Restated)	Total HK$'000 (Restated)
Turnover	6,266,540	276,497	475,189	532,848	7,551,074
Segment results	432,646	(15,082)	(67,144)	(7,911)	342,509
Other information					
Capital expenditure	53,333	6,054	1,817	15,801	77,005
Finance income	8,298	307	15	1,360	9,980
Income tax expense/(credit)	82,987	–	(12,640)	8,346	78,693
Depreciation	61,872	10,301	2,132	22,776	97,081
Provision/(reversal of provision) for slow moving inventories and shrinkage	18,158	(8,422)	8,215	13,927	31,878
Impairment of property, plant and equipment	3,137	1,997	–	2,334	7,468

3 Segment Information (continued)

	Hong Kong & Macau HK$'000	Mainland China HK$'000	E-commerce HK$'000	All other segments HK$'000	Total HK$'000
At 31 March 2018					
Non-current assets	**424,177**	**18,257**	**2,763**	**51,501**	**496,698**
Current assets	**2,472,131**	**140,176**	**132,316**	**261,375**	**3,005,998**
Total segment assets					**3,502,696**
Discontinued operation					**74,352**
Total assets as per consolidated statement of financial position					**3,577,048**
At 31 March 2017 (restated)					
Non-current assets	353,243	15,487	3,207	59,779	431,716
Current assets	1,884,871	152,270	151,726	210,891	2,399,758
Total segment assets					2,831,474
Discontinued operation					97,603
Total assets as per consolidated statement of financial position					2,929,077

4 Other Gains/(Losses) – Net

	Significant Accounting Policies No. 8	
	2018 HK$'000	2017 HK$'000 Restated
Net exchange gains/(losses)	**5,392**	(1,453)

5 Expenses by Nature

	2018 HK$'000	2017 HK$'000 Restated
Cost of inventories sold	**4,609,105**	4,378,687
Employee benefit expenses (including directors' emoluments) (Note 6)	**1,132,105**	1,022,549
Operating lease rentals in respect of land and buildings		
– minimum lease payments	**890,363**	891,870
– contingent rent	**62,583**	60,483
Advertising and promotion expenses	**115,118**	124,190
Building management fees, government rent and rates	**110,299**	99,029
Depreciation of property, plant and equipment (Note 13)	**97,725**	97,081
Transportation, storage and delivery charges	**68,077**	102,841
Utilities and telecommunication	**54,079**	56,148
Repair and maintenance	**39,416**	40,862
Provision for slow moving inventories and shrinkage (Note 16)	**34,642**	31,878
Sub-lease expenses	**30,507**	45,113
Auditors' remuneration		
– audit services	**3,522**	3,404
– non-audit services	**2,217**	1,410
Donations	**4,696**	3,365
Impairment of property, plant and equipment (Note 13)	**3,290**	7,468
Write-off of property, plant and equipment (Note 13)	**3,180**	1,836
Others	**306,459**	275,326
	7,567,383	7,243,540
Representing:		
Cost of sales	**4,643,747**	4,410,565
Selling and distribution costs	**2,608,162**	2,525,908
Administrative expenses	**315,474**	307,067
	7,567,383	7,243,540

6 Employee Benefit Expenses (Including Directors' Emoluments)

Significant Accounting Policies No. 9

	2018 HK$'000	2017 HK$'000 Restated
Basic salaries, bonuses, housing allowances, other allowances and benefits-in-kind	**1,063,951**	958,728
Retirement benefit costs (Note 23(b))	**50,963**	48,318
Share-based payment (Note 24(c))	**1,065**	9,217
Provision for unutilised annual leave	**14,698**	4,556
Directors' fees	**1,428**	1,730
	1,132,105	1,022,549

7 Director and Senior Management Emoluments

(a) Directors' Emoluments

Directors' emoluments comprise payments to the Company's directors (including the five highest paid individuals in the Group) in connection with management of affairs of the Company and the Group. The non-executive directors receive an annual director's fee of HK$257,400 (2017: HK$257,400) each. Considering the comparatively heavier workload and responsibility of Audit Committee, its Chairman and members will receive an additional annual remuneration amounted to HK$100,000 and HK$80,000 (2017: HK$100,000 and HK$80,000) respectively.

The aggregate amounts of emoluments payable to the directors of the Company during the year were as follows:

	2018 HK$'000	2017 HK$'000
Directors' fees	1,428	1,730
Basic salaries, housing allowances, other allowances and benefits-in-kind	8,632	8,632
Discretionary bonuses	454	454
Retirement benefit costs	571	604
Share-based payment	287	664
	11,372	12,084

The directors' emoluments of the Company were as follows:

	Directors' fees HK$'000	Basic salaries, housing allowances, other allowances and benefits-in-kind HK$'000	Discretionary bonuses HK$'000	Retirement benefit costs HK$'000	Share-based payment (i) & (ii) HK$'000	Total HK$'000
For the year ended 31 March 2018						
Executive Directors						
Dr KWOK Siu Ming Simon (iv)	–	2,858	238	167	–	3,263
Dr KWOK LAW Kwai Chun Eleanor	–	2,594	216	181	–	2,991
Dr LOOK Guy (iii)	–	3,180	–	223	287	3,690
Non-executive Director						
Ms LEE Yun Chun Marie-Christine	257	–	–	–	–	257
Independent Non-executive Directors						
Dr LEUNG Kwok Fai Thomas (v)	139	–	–	–	–	139
Ms TAM Wai Chu Maria	337	–	–	–	–	337
Ms KI Man Fung Leonie	337	–	–	–	–	337
Mr TAN Wee Seng	358	–	–	–	–	358
	1,428	8,632	454	571	287	11,372

7 Director and Senior Management Emoluments (continued)

(a) Directors' Emoluments (continued)

The directors' emoluments of the Company were as follows:

	Directors' fees HK$'000	Basic salaries, housing allowances, other allowances and benefits-in-kind HK$'000	Discretionary bonuses HK$'000	Retirement benefit costs HK$'000	Share-based payment (i) & (ii) HK$'000	Total HK$'000
For the year ended 31 March 2017						
Executive Directors						
Dr KWOK Siu Ming Simon (iv)	–	2,858	238	200	–	3,296
Dr KWOK LAW Kwai Chun Eleanor	–	2,594	216	181	–	2,991
Dr LOOK Guy (iii)	–	3,180	–	223	664	4,067
Non-executive Director						
Ms LEE Yun Chun Marie-Christine	257	–	–	–	–	257
Independent Non-executive Directors						
Professor CHAN Yuk Shee (vi)	246	–	–	–	–	246
Dr LEUNG Kwok Fai Thomas (v)	315	–	–	–	–	315
Ms TAM Wai Chu Maria	315	–	–	–	–	315
Ms KI Man Fung Leonie	315	–	–	–	–	315
Mr TAN Wee Seng	282	–	–	–	–	282
	1,730	8,632	454	604	664	12,084

Notes:

(i) Share-based payment represents amortisation to the income statement of the fair value of awarded shares and share options measured at the respective grant dates, regardless of whether the share options would be exercised or not.

(ii) During the years ended 31 March 2018 and 2017, no share options were granted to the executive director under the 2002 Share Option Scheme and the 2012 Share Option Scheme.

(iii) During the year ended 31 March 2018, 100,000 shares (2017: 200,000 shares) were awarded to the executive director under the Share Award Scheme. The vesting of 100,000 awarded shares (2017: 100,000 shares) out of 100,000 shares (2017: 200,000 shares) as at 31 March 2018 is not subject to certain performance targets that must be achieved by the director.

(iv) Dr KWOK Siu Ming Simon is the Chief Executive Officer of the Company.

(v) Dr LEUNG Kwok Fai Thomas retired as an Independent Non-executive Directors of the Company after the conclusion of the annual general meeting held on 29 August 2017.

(vi) Professor CHAN Yuk Shee retired as an Independent Non-executive Directors of the Company with effect on 1 January 2017.

No compensation for loss of office has been paid to the directors for the years ended 31 March 2018 and 2017.

No director of the Company waived any emoluments during the years ended 31 March 2018 and 2017.

7 Director and Senior Management Emoluments (continued)

(b) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2017: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2017: two) individuals during the year were as follows:

	2018 HK$'000	2017 HK$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	3,866	3,900
Share-based payment	180	852
Discretionary bonuses	322	793
Retirement benefit costs	270	256
	4,638	5,801

The emoluments of the individuals fell within the following bands:

	Number of individuals	
Emoluments bands	2018	2017
HK$2,000,001 – HK$2,500,000	1	–
HK$2,500,001 – HK$3,000,000	1	2

(c) Senior Management Emoluments (Excluding Directors' Emoluments)

The details of the senior management emoluments (excluding directors' emoluments) payable during the year were as follows:

	2018 HK$'000	2017 HK$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	5,665	7,930
Share-based payment	78	2,295
Discretionary bonuses	419	656
Retirement benefit costs	488	441
	6,650	11,322

One (2017: one) of the senior management emoluments are included in the analysis presented in Note 7(b) above.

The emoluments of the individuals fell within the following bands:

	Number of individuals	
Emoluments bands	2018	2017
HK$500,001 – HK$1,000,000	1	–
HK$1,500,001 – HK$2,000,000	2	1
HK$2,000,001 – HK$2,500,000	–	2
HK$2,500,001 – HK$3,000,000	1	2
	4	5

8 Finance Income

Accounting Policy

Interest income is recognised on a time-proportion basis using the effective interest method.

	2018 HK$'000	2017 HK$'000 Restated
Interest income on bank deposits	10,037	7,674
Others	1,741	2,306
Finance income	11,778	9,980

9 Income Tax Expense

Accounting Policy

The tax expense for the year comprise current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Please refer to **Critical Accounting Estimates and Judgements (i)** for estimates and judgements on income tax.

9 Income Tax Expense (continued)

Hong Kong profits tax has been provided for at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates respectively.

	2018 HK$'000	2017 HK$'000
Current tax:		
Hong Kong profits tax		
Current	55,625	49,376
Over-provision in previous years	(549)	(588)
Overseas taxation		
Current	32,710	28,378
Over-provision in previous years	(21)	(76)
Total current tax	87,765	77,090
Deferred tax (Note 15):		
Origination and reversal of temporary differences	8,964	1,603
Income tax expense	96,729	78,693
Income tax expense is attributable to:		
Profit from continuing operations	95,368	78,693
Loss from discontinued operation	1,361	–
	96,729	78,693

The income tax expense on the Group's profit before income tax differs from the theoretical amount that would arise using the profits rate of Hong Kong as follows:

	2018 HK$'000	2017 HK$'000
Profit before income tax from continuing operations	560,611	421,202
Loss before income tax from discontinued operation	(23,762)	(15,804)
Profit for the year before income tax	536,849	405,398
Tax calculated at a taxation rate of 16.5% (2017: 16.5%)	88,580	66,891
Effect of different taxation rates in other countries (Note)	(7,466)	(5,723)
Expenses not deductible for income tax purposes	9,462	7,773
Income not subject to income tax	(2,531)	(2,464)
Unrecognised tax losses	7,893	12,880
Derecognition of previously recognised deferred income tax assets	1,361	–
Over-provision in previous years	(570)	(664)
Income tax expense	96,729	78,693

Note:

The Group was subject to different tax jurisdictions mainly in Macau, Malaysia, the PRC, and Singapore with tax rate ranged from 12% to 25% (2017: 12% to 25%).

10 Discontinued Operation

Accounting Policy

A discontinued operation is a component of the Group's business, the operation and cash flow of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Where an operation is classified as discontinued, a single amount is presented in the statement of income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs of disposal, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

During the year ended 31 March 2018, the Group discontinued the business of retailing of cosmetic products in Taiwan. The results of the discontinued operation for the year ended 31 March 2018 and 2017 are presented below:

	2018 HK$'000	2017 HK$'000
Turnover	213,161	195,078
Other income and gains, net	2,413	2,954
Cost of sales and expenses	(239,336)	(213,836)
Loss before income tax	(23,762)	(15,804)
Income tax expense	(1,361)	–
Loss from discontinued operation	(25,123)	(15,804)
Actuarial gains/(losses) on retirement benefit obligation	55	(67)
Currency translation differences of foreign subsidiaries recorded in translation reserve	2,150	3,630
Total comprehensive loss from discontinued operation	(22,918)	(12,241)

Loss for the year of discontinued operation has been arrived at after charging:

	2018 HK$'000	2017 HK$'000
Write-off of property, plant and equipment (Note 13)	4,277	143
Depreciation of property, plant and equipment (Note 13)	3,542	5,896
Impairment of property, plant and equipment (Note 13)	2,379	2,955
Provision for slow moving inventories and shrinkage (Note 16)	2,016	197

10 Discontinued Operation (continued)

The net cash flows incurred by the discontinued operation are as follows:

	2018 HK$'000	2017 HK$'000
Net cash generated from operating activities	**25,015**	(8,782)
Net cash used in investing activities	**(458)**	(4,818)
Net cash (used in)/generated from financing activities	**(1,092)**	16,034
Net increase in cash generated from discontinued operation	**23,465**	2,434

11 Earnings Per Share

From Continuing Operations

(a) Basic earnings per share from continuing operations is calculated by dividing the profit from continuing operations attributable to owners of the Company by the weighted average number of ordinary shares in issue less the total number of shares held under the Share Award Scheme during the year.

	2018 HK$'000	2017 HK$'000
Profit from continuing operations attributable to owners of the Company	**465,243**	342,509
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the year (thousands)	**3,009,172**	2,927,021

(b) Diluted earnings per share from continuing operations is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options and shares held under the Share Award Scheme during the year. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. For shares held under the Share Award Scheme, awarded shares granted to the employees but not yet vested as at 31 March 2018 has been included in the number of shares.

	2018 HK$'000	2017 HK$'000
Profit from continuing operations attributable to owners of the Company	**465,243**	342,509
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the year (thousands)	**3,009,172**	2,927,021
Adjustment for share options and awarded shares (thousands)	**702**	2,049
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**3,009,874**	2,929,070

11 Earnings Per Share (continued)

From Continuing and Discontinued Operations

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2018 HK$'000	2017 HK$'000
Profit from continuing operations attributable to owners of the Company	**465,243**	342,509
Loss from discontinued operation attributable to owners of the Company	**(25,123)**	(15,804)
Profit for the purpose of basic and diluted earnings per share from continuing and discontinued operations	**440,120**	326,705

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing operations.

From Discontinued Operation

The basic and diluted loss per share for the discontinued operation is 0.8 HK cents per share (2017: Basic and diluted loss of 0.5 HK cents per share).

The calculations of basic and diluted loss per share from the discontinued operation are based on:

	2018 HK$'000	2017 HK$'000
Loss attributable to owners of the Company from the discontinued operation	**(25,123)**	(15,804)
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the year (thousands)	**3,009,172**	2,927,021

During the year ended 31 March 2018 and 2017, diluted loss per share equals to basic loss per share as the potential ordinary shares were not included in the calculation of diluted loss per share because they are anti-dilutive.

12 Dividends

Accounting Policy

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

	2018 HK$'000	2017 HK$'000
Interim, paid – 3.5 HK cents (2017: 5.0 HK cents) per share	**105,789**	148,043
Special, paid – Nil (2017: 4.0 HK cents) per share	**–**	118,434
Final, proposed – 11.0 HK cents (2017: 8.0 HK cents) per share	**334,368**	239,555
Special, proposed – 3.0 HK cents (2017: Nil) per share	**91,192**	–
	531,349	506,032

12 Dividends (continued)

For final and special dividends, scrip dividend election was offered to all shareholders. At a meeting held on 21 June 2018, the directors proposed a final dividend of 11.0 HK cents and a special dividend of 3.0 HK cents per share. The final and special dividends will be payable in cash with a scrip dividend alternative. These proposed dividends have not been reflected as dividend payables in these consolidated financial statements, but will be reflected as an appropriation of distributable reserve for the year ending 31 March 2019 if approved by the shareholders.

13 Property, Plant and Equipment

Accounting Policy

Land and buildings mainly comprise of offices. Leasehold land classified as finance lease and all other property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Leasehold land classified as finance lease commences depreciation from the time when the land interest becomes available for its intended use. Depreciation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Over remaining lease term
Buildings	20–36 years
Leasehold improvements	Over shorter of lease term or 6 years
Equipment, furniture and fixtures	3–5 years
Motor vehicles and vessel	4–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (**Significant Accounting Policies No. 6**).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised in the income statement.

Please refer to **Critical Accounting Estimates and Judgements (ii)** for estimates and judgements on impairment for plant and equipment.

13 Property, Plant and Equipment (continued)

	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicles and vessel HK$'000	Total HK$'000
At 31 March 2016					
Cost	190,790	628,939	273,032	21,772	1,114,533
Accumulated depreciation and impairment	(49,237)	(513,971)	(212,054)	(18,182)	(793,444)
Net book amount	141,553	114,968	60,978	3,590	321,089
Year ended 31 March 2017					
Opening net book amount	141,553	114,968	60,978	3,590	321,089
Exchange differences	–	(1,660)	(1,684)	(5)	(3,349)
Additions	–	59,685	21,883	313	81,881
Write-off	–	(469)	(1,510)	–	(1,979)
Depreciation	(5,629)	(63,960)	(31,724)	(1,664)	(102,977)
Impairment losses	–	(8,929)	(1,494)	–	(10,423)
Closing net book amount	135,924	99,635	46,449	2,234	284,242
At 31 March 2017					
Cost	190,790	626,298	261,840	21,849	1,100,777
Accumulated depreciation and impairment	(54,866)	(526,663)	(215,391)	(19,615)	(816,535)
Net book amount	135,924	99,635	46,449	2,234	284,242
Year ended 31 March 2018					
Opening net book amount	135,924	99,635	46,449	2,234	284,242
Exchange differences	–	2,848	1,179	1	4,028
Additions	–	129,721	33,610	3,316	166,647
Disposals	–	(184)	(8)	(166)	(358)
Write-off	–	(5,252)	(2,205)	–	(7,457)
Depreciation	(5,630)	(65,528)	(28,447)	(1,662)	(101,267)
Impairment losses	–	(5,191)	(478)	–	(5,669)
Closing net book amount	**130,294**	**156,049**	**50,100**	**3,723**	**340,166**
At 31 March 2018					
Cost	**190,790**	**648,599**	**281,299**	**19,375**	**1,140,063**
Accumulated depreciation and impairment	**(60,496)**	**(492,550)**	**(231,199)**	**(15,652)**	**(799,897)**
Net book amount	**130,294**	**156,049**	**50,100**	**3,723**	**340,166**

(a) Depreciation expense of HK$78,251,000 (2017: HK$76,033,000) was included in selling and distribution costs from continuing operations, HK$19,474,000 (2017: HK$21,048,000) was included in administrative expenses from continuing operations and HK$3,542,000 (2017: HK$5,896,000) was included in loss for the year from discontinued operation.

(b) Write-off of plant and equipment of HK$3,180,000 (2017: HK$1,836,000) was included in selling and distribution costs from continuing operations and HK$4,277,000 (2017: HK$143,000) was included in loss for the year from discontinued operation.

(c) As at 31 March 2018, net book amount of retail store assets amounted to HK$100,443,000 (2017: HK$99,332,000). The Group regards each individual retail store as a separately identifiable cash-generating unit. Management carried out an impairment assessment for the retail store assets which have an impairment indicator. The carrying amount of the retail store assets is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. As a result, an impairment loss of HK$3,290,000 (2017: HK$7,468,000) and HK$2,379,000 (2017: HK$2,955,000) was recognised in selling and distribution costs from continuing operations and loss for the year from discontinued operation respectively. The estimates of the recoverable amounts were based on value-in-use calculations using discounted cash flow projections based on the financial forecasts approved by management covering the remaining tenure of the lease.

14 Rental Deposits, Prepayments and Other Assets

Significant Accounting Policies No. 7

	2018 HK$'000	2017 HK$'000
Rental and other deposits	**145,429**	142,493
Prepayments	**275**	2,635
Others	**5,552**	5,552
	151,256	150,680

Rental deposits are carried at amortised cost using the effective interest rate of 0.66% to 1.39% per annum (2017: 0.63% to 1.39% per annum). As at 31 March 2018, the carrying amounts of rental deposits approximate their fair values.

15 Deferred Tax

Accounting Policy

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Please refer to **Critical Accounting Estimates and Judgements (i)** for estimates and judgements on unrecognised deferred tax assets.

15 Deferred Tax (continued)

The movement in net deferred tax assets account is as follows:

	2018 HK$'000	2017 HK$'000
At beginning of the year	**13,293**	15,354
Deferred tax charged to the income statement (Note 9)	**(8,964)**	(1,603)
Exchange differences	**679**	(458)
At end of the year	**5,008**	13,293

	2018 HK$'000	2017 HK$'000
Deferred tax assets	**5,276**	13,620
Deferred tax liabilities	**(268)**	(327)
Deferred tax assets – net	**5,008**	13,293

As at 31 March 2018, except for the deferred tax assets on certain provisions were expected to be recovered within 12 months, substantially all remaining balances of other deferred tax assets and liabilities were expected to be recovered after 12 months.

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Deferred tax assets	Decelerated tax depreciation		Provisions		Tax losses		Total	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
At beginning of the year	**9,108**	10,857	**4,563**	5,176	**138**	283	**13,809**	16,316
Charged to the income statement	**(6,820)**	(1,729)	**(1,272)**	(175)	**(138)**	(145)	**(8,230)**	(2,049)
Exchange differences	**223**	(20)	**456**	(438)	**–**	–	**679**	(458)
At end of the year	**2,511**	9,108	**3,747**	4,563	**–**	138	**6,258**	13,809

Deferred tax liabilities	Accelerated tax depreciation	
	2018 HK$'000	2017 HK$'000
At beginning of the year	**516**	962
Charged/(credited) to the income statement	**734**	(446)
At end of the year	**1,250**	516

15 Deferred Tax (continued)

Deferred tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of HK$82,700,000 (2017: HK$70,533,000) in respect of tax losses amounting to HK$361,194,000 (2017: HK$303,117,000) and capital allowances amounting to HK$39,432,000 (2017: HK$31,807,000) that can be carried forward against future taxable income. Tax losses amounting to HK$209,739,000 (2017: HK$193,811,000) and HK$50,254,000 (2017: HK$28,620,000) will expire within 1-5 years and 5-10 years respectively from 31 March 2018. The remaining tax losses and capital allowances have no expiry date.

16 Inventories

Accounting Policy

Inventories comprise merchandise and are stated at the lower of cost and net realisable value.

Cost represents the invoiced cost of inventories plus the applicable freight and duties. Costs are assigned to individual items on the weighted-average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges purchases of inventories.

Please refer to **Critical Accounting Estimates and Judgements (iii)** for estimates and judgements on provision for inventory.

	2018 HK$'000	2017 HK$'000
Merchandise for resale	1,337,263	1,221,794

The cost of inventories recognised as expense, and included in cost of sales from continuing operations and loss for the year from discontinued operation amounted to HK$4,609,105,000 (2017: HK$4,378,687,000) and HK$116,669,000 (2017: HK$106,572,000) respectively.

During the year, the Group has made a provision of HK$36,658,000 for slow moving inventories and shrinkage (2017: HK$32,075,000) and was included in cost of sales from continuing operations and loss for the year from discontinued operation amounted to HK$34,642,000 (2017: HK$31,878,000) and HK$2,016,000 (2017: HK$197,000) respectively.

17 Trade Receivables

Accounting Policy

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Please refer to **Significant Accounting Policies No.7 (iii)** for policies on impairment of financial assets.

	2018 HK$'000	2017 HK$'000
Trade receivables	146,189	68,123
Less: provision for impairment losses on trade receivables	(772)	(1,047)
Trade receivables – net	145,417	67,076

The carrying amounts of trade receivables approximate their fair values.

The Group's turnover comprises mainly cash sales and credit card sales. Certain wholesale customers are granted credit terms ranging from 7 to 120 days. The ageing analysis based on invoice of gross trade receivables date is as follows:

	2018 HK$'000	2017 HK$'000
Within 1 month	106,084	48,674
1 to 3 months	17,694	9,609
Over 3 months	22,411	9,840
	146,189	68,123

As at 31 March 2018, trade receivables of HK$23,881,000 (2017: HK$2,054,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2018 HK$'000	2017 HK$'000
1 to 3 months	3,351	1,060
Over 3 months	20,530	994
	23,881	2,054

17 Trade Receivables (continued)

Trade receivables are denominated in the following currencies:

	2018 HK$'000	2017 HK$'000
Hong Kong dollar	**75,580**	21,289
Renminbi	**54,387**	36,080
New Taiwan dollar	**11,162**	5,802
Others	**4,288**	3,905
	145,417	67,076

Movement in the Group's provision for impairment of trade receivables is as follows:

	2018 HK$'000	2017 HK$'000
At 1 April	**1,047**	2,218
Reversal for impairment	**(330)**	(1,201)
Exchange differences	**55**	30
At 31 March	**772**	1,047

During the year, the Group has made a reversal on provision for impairment losses on trade receivables of HK$330,000 (2017: HK$1,201,000). The reversal on provision has been included in selling and distribution costs.

The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to the historical information about counterparty default rates. The existing counterparties do not have significant default in the past. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

The maximum exposure to credit risk at the reporting date is the carrying value of trade and other receivables. The Group does not hold any collateral as security.

18 Other Receivables, Deposits and Prepayments

Accounting Policy

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

If collection of other receivables is expected to be in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Please refer to **Significant Accounting Policies No.7 (iii)** for policies on impairment of financial assets.

	2018 HK$'000	2017 HK$'000
Rental and other deposits	151,318	155,932
Other receivables and payment in advance	50,509	35,393
Prepayments	28,577	31,398
Retirement benefit obligations (Note 23(a))	1,495	–
Forward foreign exchange contracts (Note 22)	411	217
	232,310	222,940

The carrying amounts of other receivables and deposits approximate their fair values. The other receivables are due and receivable within one year from the end of the reporting period.

19 Cash and Bank Balances

Accounting Policy

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

	2018	2017
	HK$'000	HK$'000
Time deposits	**915,802**	513,024
Short-term bank deposits	**123,412**	235,297
Cash at bank and on hand	**326,146**	220,404
Cash and cash equivalents	**449,558**	455,701
Total	**1,365,360**	968,725

Cash and bank balances are denominated in the following currencies:

	2018	2017
	HK$'000	HK$'000
Hong Kong dollar	**1,119,062**	791,100
Malaysian Ringgit	**70,562**	31,179
New Taiwan dollar	**43,451**	18,005
Renminbi	**39,064**	44,006
Euro	**29,379**	2,632
Singapore dollar	**18,150**	18,379
Macau Pataca	**15,099**	7,788
US dollar	**12,192**	38,266
Swiss Franc	**11,292**	15,678
Others	**7,109**	1,692
	1,365,360	968,725

The year-end effective interest rate on time deposits over three months was 1.67% per annum (2017: 1.04% per annum). These deposits have an average maturity of 6 months (2017: 6 months).

The year-end effective interest rate on short-term bank deposits was 1.07% per annum (2017: 0.67% per annum). These deposits have an average maturity of 1 month (2017: 1 month).

As at 31 March 2018, out of the total cash and bank balances denominated in Renminbi and Malaysian Ringgit as stated above, approximately HK$94,006,000 (2017: HK$73,020,000) were kept in Mainland China and Malaysia. The remittance of these funds out of Mainland China and Malaysia is subject to applicable foreign exchange restrictions imposed by the respective local governments.

20 Trade Payables

Accounting Policy

Trade payables are obligations to pay for goods that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

The ageing analysis based on invoice date of trade payables is as follows:

	2018 HK$'000	2017 HK$'000
Within 1 month	475,588	201,714
1 to 3 months	127,437	96,992
Over 3 months	16,677	15,207
	619,702	313,913

The carrying amounts of trade payables approximate their fair values.

Trade payables are denominated in the following currencies:

	2018 HK$'000	2017 HK$'000
Hong Kong dollar	360,883	192,767
US dollar	88,785	16,984
Euro	50,357	20,692
Renminbi	42,448	43,231
South Korean Won	32,984	3,608
Japanese Yen	10,999	4,164
Malaysian Ringgit	9,294	9,204
New Taiwan dollar	9,121	11,196
Swiss Franc	7,140	7,386
Singapore dollar	6,780	4,294
Others	911	387
	619,702	313,913

21 Other Payables and Accruals

Accounting Policy

Other payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

	2018 HK$'000	2017 HK$'000
Accrued staff costs	118,492	98,538
Accrued rental related expenses	37,344	18,526
Customers' deposits and temporary receipts	33,042	28,981
Accrued advertising and promotion expenses	27,061	26,640
Accrued capital expenditure	26,935	13,834
Accrued transportation expenses	15,169	14,548
Valued-added tax and other tax payables	18,840	17,202
Forward foreign exchange contracts (Note 22)	66	80
Other payables and accruals	80,160	73,443
	357,109	291,792

22 Forward Foreign Exchange Contracts

Accounting Policy

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements on the hedging reserve in shareholders' equity are shown in Note 25. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Cash flow hedges
In the current year, the Group designated certain forward foreign exchange contracts as cash flow hedges to hedge against the Group's purchases denominated in Euro, Swiss Franc and Japanese Yen. The Group designates certain derivatives as cash flow hedge: hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within "other gains/(losses) – net".

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast purchase that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example inventory), the gains and losses previously deferred in hedging reserve are transferred from hedging reserve and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold when these inventory are sold.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time, is recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in hedging reserve is immediately transferred to the income statement within "other gains/(losses) – net".

(b) Derivatives not qualifying for hedge accounting or held for trading purposes
Certain derivatives instruments do not qualify for hedge accounting. Any gains or losses arising from the change in the fair value of derivatives that do not qualify for hedge accounting is recognised immediately in the income statement within 'other gains/(losses) – net'.

22 Forward Foreign Exchange Contracts (continued)

	2018		2017	
	Current assets	**Current liabilities**	Current assets	Current liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Forward foreign exchange contracts				
– cash flow hedge	**411**	**66**	217	80

The maturity dates of the outstanding forward foreign exchange contracts are within one year and are classified as current assets and current liabilities respectively.

As at 31 March 2018, the notional principal amount of the outstanding forward foreign exchange contracts under cash flow hedges was HK$38,273,000 (2017: HK$24,885,000). The hedges related to highly probable forecasted purchases denominated in Euro, Swiss Franc and Japanese Yen which are expected to occur at various dates within a 12-month period.

The forward foreign exchange contracts entered for the year ended 31 March 2018 were determined to be effective hedges. There was no ineffectiveness to be recognised in the consolidated income statement.

23 Retirement Benefit Obligations

(a) Retirement Benefit Obligations

Significant Accounting Policies No. 9

	2018	2017
	HK$'000	HK$'000
Retirement benefit obligations (asset)/liability on:		
– defined benefit plan (Note (b)(ii))	**(1,495)**	(513)
– long service payments (Note (b)(iii))	**3,494**	7,101
	1,999	6,588
Representing:		
– Current assets included in other receivables, deposits and prepayments (Note 18)	**(1,495)**	–
– Non-current liabilities	**3,494**	6,588
	1,999	6,588

23 Retirement Benefit Obligations (continued)

(b) Retirement Benefit Costs

	2018 HK$'000	2017 HK$'000
Retirement benefit costs charged to income statement:		
Retirement benefit costs		
– defined contribution plans (Note (i))	**52,628**	50,170
– defined benefit plan (Note (ii))	**(791)**	11
	51,837	50,181
– long service payments (Note (iii))	**254**	175
	52,091	50,356
Representing:		
– Employee benefit expenses from continuing operations (Note 6)	**50,963**	48,318
– Loss for the year from discontinued operation	**1,128**	2,038
	52,091	50,356
Retirement benefit costs (credited)/charged to other comprehensive income:		
– defined benefit plan (Note (ii))	**(55)**	67
– long service payments (Note (iii))	**(3,652)**	(2,660)
	(3,707)	(2,593)

Notes:

(i) The subsidiaries of the Group in Hong Kong elected to contribute to the Mandatory Provident Fund Scheme ("MPF Scheme"). The MPF Scheme is a defined contribution retirement benefit plan administered by independent trustees. Under the MPF Scheme, both the employer and employees are required to contribute 5% of the employee's monthly salaries (capped at HK$30,000). Contributions from the employer equivalent to the contribution as specified at the rules of the MPF Scheme are 100% vested as soon as they are paid to the relevant MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the age of 65, subject to a few exceptions. As to the employer's contribution in excess of the portion vested in the MPF Scheme the employees are entitled to 100% of it after 10 years of completed service or at a reduced scale after completion of 3 to 9 years' service. No forfeited contributions for the Group is available to reduce the contribution payment in the future years.

The employees of the Group in Mainland China are members of state-managed retirement benefit schemes operated by the respective local government in Mainland China. The Group is required to contribute a specified percentage of payroll costs to the scheme to fund the benefits. The only obligation of the Group with respect to these schemes is to make the specified contributions.

Certain employees of the Group in Taiwan participate a defined contribution retirement benefit plan ("New Retirement Plan") administered by the local government and followed the local statutory requirements. The only obligation of the Group with respect to this plan is to make the specified contributions.

The Group also participates in a post-employment benefit plan and employees provident fund in Singapore and Malaysia respectively. The Group pays contribution to a separate entity and will have no legal or construction obligation to pay further amounts.

23 Retirement Benefit Obligations (continued)

(b) Retirement Benefit Costs (continued)

Notes: (continued)

(ii) Before the effective of New Retirement Plan since 1 July 2005, a branch of a wholly-owned subsidiary of the Group in Taiwan participates in a central defined benefit retirement plan ("Old Retirement Plan") providing benefits to all employees in accordance with the Labor Standards Law (as amended) in Taiwan. The Group has an obligation to ensure that there are sufficient funds in the Old Retirement Plan to pay the benefits earned. The branch currently contributes at 2% of the total salaries as determined and approved by the relevant government authorities. The assets of the Old Retirement Plan are invested in an independent administered pooled funds held at Bank of Taiwan and the assets are held separately from those of the Group.

The latest actuarial valuation was prepared as at 31 March 2018 by Towers Watson Hong Kong Limited, a qualified actuary, using the projected unit credit method.

The amounts recognised in the consolidated statement of financial position are determined as follows:

	2018 HK$'000	2017 HK$'000
Present value of funded obligations	**2,000**	2,766
Fair value of plan assets	**(3,495)**	(3,279)
Net asset in the statement of financial position (Note (a))	**(1,495)**	(513)

The movements of defined benefit plan during the year are as follows:

	Fair value of plan assets (Asset)/liability HK$'000	**Present value of funded obligations (Asset)/liability HK$'000**	**Total (Asset)/liability HK$'000**
At 1 April 2017	(3,279)	2,766	(513)
Current service cost	–	19	19
Past service cost	–	(799)	(799)
Interest (income)/expense	(61)	50	(11)
Retirement benefit costs credited to income statement	(61)	(730)	(791)
Remeasurements:			
Actuarial gain – experience	–	(20)	(20)
Actuarial loss – financial assumptions	–	45	45
Return on scheme assets greater than discount rate	(80)	–	(80)
Retirement benefit costs (credited)/charged to other comprehensive income	(80)	25	(55)
Employer contributions	(61)	–	(61)
Benefit paid from scheme asset	170	(170)	–
Exchange difference	(184)	109	(75)
At 31 March 2018	**(3,495)**	**2,000**	**(1,495)**

23 Retirement Benefit Obligations (continued)

(b) Retirement Benefit Costs (continued)

Notes: (continued)

	Fair value of plan assets (Asset)/liability HK$'000	Present value of funded obligations (Asset)/liability HK$'000	Total (Asset)/liability HK$'000
At 1 April 2016	(2,976)	2,485	(491)
Current service cost	–	19	19
Interest (income)/expense	(42)	34	(8)
Retirement benefit costs (credited)/charged to income statement	(42)	53	11
Remeasurements:			
Actuarial loss – experience	–	202	202
Actuarial gain – financial assumptions	–	(144)	(144)
Return on scheme assets less than discount rate	9	–	9
Retirement benefit costs charged to other comprehensive income	9	58	67
Employer contributions	(68)	–	(68)
Exchange difference	(202)	170	(32)
At 31 March 2017	(3,279)	2,766	(513)

The principal actuarial assumptions used are as follows:

	2018	2017
Discount rate	**1.5%**	1.8%
Expected rate of future salary increases	**3.0%**	3.0%

The sensitivity of the defined benefit plan obligation to changes in the weighted principal assumption is as follows:

Assumption	**Change to adopted rate**	**Effect on defined benefit plan obligation**
Discount rate	+0.25%	+0.25%
	–0.25%	–0.25%
Expected rate of future salary increases	+0.25%	+0.25%
	–0.25%	–0.25%

23 Retirement Benefit Obligations (continued)

(b) Retirement Benefit Costs (continued)

Notes (continued):

(iii) The Group's provision for long service payments are determined based on the actuarial valuation as at 31 March 2018 prepared by Towers Watson Hong Kong Limited, a qualified actuary, using the projected unit credit method.

The movements of long service payments during the year are as follows:

	Present value of obligations	
	2018	2017
	HK$'000	HK$'000
At 1 April	**7,101**	9,605
Current service cost	**136**	64
Interest cost on scheme assets	**118**	111
Retirement benefit costs charged to income statement	**254**	175
Remeasurements:		
Actuarial gain – experience	**(3,484)**	(3,357)
Actuarial (gain)/loss – financial assumptions	**(167)**	1,831
Actuarial gain – demographic assumptions	**(1)**	(1,134)
Retirement benefit costs credited to other comprehensive income	**(3,652)**	(2,660)
Benefits paid directly by the employer	**(209)**	(19)
At 31 March	**3,494**	7,101

The principal actuarial assumptions used are as follows:

	2018	2017
Discount rate	**2.1%**	1.7%
Expected rate of future salary increases	**3.5%**	3.5%

The sensitivity of the long service payments to changes in the weighted principal assumption is as follows:

Assumption	**Change to adopted rate**	**Effect on defined benefit plan obligation**
Discount rate	+0.25%	+0.25%
	–0.25%	–0.25%
Expected rate of future salary increases	+0.25%	+0.25%
	–0.25%	–0.25%

24 Share Capital

Accounting Policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Please refer to **Significant Accounting Policies No.10** for details on Share Options and Share Award Scheme.

Authorised shares of HK$0.1 each	No. of shares	HK$'000
At 31 March 2017 and 2018	8,000,000,000	800,000
Issued and fully paid shares of HK$0.1 each		
At 1 April 2016	2,892,131,561	289,213
Issue of shares upon scrip dividend of 2015/16 final and special dividends	68,722,840	6,872
Issue of shares upon scrip dividend of 2016/17 interim and special dividends	33,586,969	3,359
At 31 March 2017	2,994,441,370	299,444
Issue of share upon exercise of share option	20,000	2
Issue of shares upon scrip dividend of 2016/17 final dividend	28,090,745	2,809
Issue of shares upon scrip dividend of 2017/18 interim dividend	16,302,283	1,630
At 31 March 2018	**3,038,854,398**	**303,885**

(a) Share Options

The 2002 Share Option Scheme was adopted on 29 August 2002 and terminated on 23 August 2012. No further options could be granted under the 2002 Share Option Scheme upon termination but the options already granted remained governed by the 2002 Share Option Scheme. The 2012 Share Option Scheme was adopted on 23 August 2012.

Under both the 2002 Share Option Scheme and the 2012 Share Option Scheme, share options may be granted to any directors (including executive, non-executive and independent non-executive directors) and employees of the Group, and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any members of the Group who the Board or a duly authorized committee thereof considers, in its sole discretion, to have contributed to the Group.

The option period shall be notified by the Board to each grantee at the time of making an offer which shall not expire later than 10 years from the date of grant of the relevant option. The subscription price shall be determined by the Board at its absolute discretion but in any event shall not be less than the highest of: (i) the closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company. The Group has no obligation to repurchase or settle the options in cash.

24 Share Capital (continued)

(a) Share Options (continued)

The outstanding share options of the Company were granted under the 2002 Share Option Scheme and the 2012 Share Option Scheme to a director of the Company and certain key management personnel, which are to be vested after the selected employee completed a period of services in the Group from 1 to 3 years from the grant date or achieved certain performance targets set by the Board. All outstanding share options have been vested as at 31 March 2018 and 2017.

No options have been granted under the 2002 Share Option Scheme and the 2012 Share Option Scheme by the Group during the year ended 31 March 2018 and 2017.

Movements in the number of share options outstanding are as follows:

	No. of share options year ended 31 March	
	2018	2017
At beginning of the year	**34,989,988**	35,741,988
Exercised	**(20,000)**	–
Lapsed	**(788,000)**	(752,000)
At end of the year	**34,181,988**	34,989,988

The closing price at the date of exercise of options exercised during the year ended 31 March 2018 was HK$4.11 (2017: Not applicable).

The expiry dates and subscription prices of the share options outstanding as at 31 March 2018 are set out as follows:

Expiry dates	Subscription price per Share (HK$)	No. of share options outstanding as at 31 March 2018	2017
2002 Share Option Scheme			
29 September 2020	3.16	**562,000**	582,000
16 June 2021	4.95	**2,270,000**	2,290,000
28 February 2022	4.77	**22,145,988**	22,145,988
28 June 2022	4.85	**3,945,000**	4,226,000
2012 Share Option Scheme			
20 June 2023	8.07	**5,259,000**	5,746,000
		34,181,988	34,989,988
Weighted average remaining contractual life of options outstanding at end of the year		**4.08 years**	5.10 years

24 Share Capital (continued)

(b) Share Award

Pursuant to a resolution of the Board dated 11 April 2014, the Board approved the adoption of the Share Award Scheme under which shares of the Company may be awarded to selected employees for no cash consideration in accordance with its absolute discretion. The Share Award Scheme operates for 15 years starting from 11 April 2014. The maximum number of shares which may be awarded to any selected employee under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time. The awarded shares are to be vested after the selected employee completed a period of services in the Group from 1 month to 3 years from the grant date.

A trust has been set up and fully funded by the Company for the purpose of purchasing, administrating and holding the Company's shares for the Share Award Scheme. The total number of shares to be awarded under the Share Award Scheme is limited to 5% of the issued share capital of the Company.

During the year ended 31 March 2017, the Company acquired 2,274,000 of its own shares on the Stock Exchange for the Share Award Scheme. The total amount paid to acquire these shares was HK$5,343,000 and has been deducted from the shareholders' equity. During the year ended 31 March 2018, no share was acquired by the Company. During the year ended 31 March 2018, 51,515 shares of the Company were issued to the Share Award Scheme as scrip dividend.

Movements in the number of shares awarded:

	Number of awarded shares year ended 31 March	
	2018	2017
At beginning of the year	**720,000**	1,100,000
Awarded (Note)	**700,000**	2,782,000
Vested	**(625,000)**	(2,595,000)
Lapsed	**(320,000)**	(567,000)
At end of the year	**475,000**	720,000

Note: The fair value of awarded shares was determined with reference to market price of the Company's shares at the grant date. Average fair value per share was HK$2.89 (2017:HK$3.35).

24 Share Capital (continued)

(b) Share Award (continued)

Details of the awarded shares outstanding as at 31 March 2018 were set out as follows:

Date of award	Average fair value per share (HK$)	Vesting period*	Number of awarded shares: Outstanding as at 1 April 2017	Awarded during the year	Vested during the year	Lapsed during the year	Outstanding as at 31 March 2018
30 Sep 2014	5.32	30 Sep 2014 to 30 Sep 2017	165,000	–	(140,000)	(25,000)	–
28 Nov 2014	5.83	28 Nov 2014 to 28 Nov 2017	75,000	–	(75,000)	–	–
30 Jan 2015	5.02	30 Jan 2015 to 30 Jan 2018	60,000	–	(60,000)	–	–
31 Jul 2015	3.48	31 Jul 2015 to 31 Jul 2018	50,000	–	(25,000)	(25,000)	–
29 Jan 2016	2.12	29 Jan 2016 to 29 Jan 2019	50,000	–	(15,000)	(20,000)	15,000
30 Jun 2016	3.04	30 Jun 2016 to 30 Jun 2019	250,000	–	–	(250,000)	–
29 Jul 2016	3.38	29 Jul 2016 to 29 Jul 2019	70,000	–	(20,000)	–	50,000
31 Jul 2017	2.87	31 Jul 2017 to 31 Mar 2020	–	580,000	(270,000)	–	310,000
30 Nov 2017	3.01	30 Nov 2017 to 21 Aug 2020	–	120,000	(20,000)	–	100,000
			720,000	700,000	(625,000)	(320,000)	475,000

* The period during which all the specific vesting conditions of the awarded shares are to be satisfied.

(c) Expenses Arising from Share-based Payment Transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

	2018 HK$'000	2017 HK$'000
Expenses recognised by share options	–	840
Expenses recognised by share award scheme	1,065	8,377
	1,065	9,217

25 Reserves

	Share premium HK$'000	Shares held under the Share Award Scheme HK$'000	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Hedging reserve HK$'000	Translation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2017	1,080,717	(3,945)	11,783	62,539	133	(62,680)	831,175	1,919,722
Profit for the year	–	–	–	–	–	–	440,120	440,120
Other comprehensive income:								
Actuarial gains on retirement benefit obligations	–	–	–	–	–	–	3,707	3,707
Cash flow hedges, net of tax	–	–	–	–	258	–	–	258
Currency translation differences of foreign subsidiaries recorded in translation reserve	–	–	–	–	–	41,139	–	41,139
Total comprehensive income for the year	–	–	–	–	258	41,139	443,827	485,224
Share Award Scheme:								
Value of employee services	–	–	–	1,065	–	–	–	1,065
Vesting of shares under Share Award Scheme	–	2,306	–	(2,437)	–	–	131	–
Employee share option scheme:								
Proceeds from shares issued upon exercise of share options	61	–	–	–	–	–	–	61
Lapse of share options	–	–	–	(1,463)	–	–	1,463	–
Issue of shares upon scrip dividend of 2016/17 final dividend (Note 24)	74,160	–	–	–	–	–	–	74,160
Issue of shares upon scrip dividend of 2017/18 interim dividend (Note 24)	43,853	–	–	–	–	–	–	43,853
Unclaimed dividends forfeited	–	–	–	–	–	–	214	214
Dividends:								
2016/17 final dividend	–	–	–	–	–	–	(239,555)	(239,555)
2017/18 interim dividend	–	–	–	–	–	–	(105,789)	(105,789)
Total transactions with owners, recognised directly in equity	118,074	2,306	–	(2,835)	–	–	(343,536)	(225,991)
At 31 March 2018	**1,198,791**	**(1,639)**	**11,783**	**59,704**	**391**	**(21,541)**	**931,466**	**2,178,955**

25 Reserves (continued)

	Share premium HK$'000	Shares held under the Share Award Scheme HK$'000	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Hedging reserve HK$'000	Translation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2016	786,189	(8,178)	11,783	64,009	46	(41,104)	1,186,328	1,999,073
Profit for the year	–	–	–	–	–	–	326,705	326,705
Other comprehensive loss:								
Actuarial gains on retirement benefit obligations	–	–	–	–	–	–	2,593	2,593
Cash flow hedges, net of tax	–	–	–	–	87	–	–	87
Currency translation differences of foreign subsidiaries recorded in translation reserve	–	–	–	–	–	(21,576)	–	(21,576)
Total comprehensive income for the year	–	–	–	–	87	(21,576)	329,298	307,809
Share Award Scheme:								
Value of employee services	–	–	–	8,377	–	–	–	8,377
Shares purchased for Share Award Scheme (Note 24(b))	–	(5,343)	–	–	–	–	–	(5,343)
Vesting of shares under Share Award Scheme	–	9,576	–	(9,429)	–	–	(147)	–
Employee share option scheme:								
Value of employee services	–	–	–	840	–	–	–	840
Lapse of share options	–	–	–	(1,258)	–	–	1,258	–
Issue of shares upon scrip dividend of 2015/16 final and special dividend (Note 24)	192,424	–	–	–	–	–	–	192,424
Issue of shares upon scrip dividend of 2016/17 interim and special dividend (Note 24)	102,104	–	–	–	–	–	–	102,104
Unclaimed dividends forfeited	–	–	–	–	–	–	274	274
Dividends:								
2015/16 final and special dividends	–	–	–	–	–	–	(419,359)	(419,359)
2016/17 interim dividend	–	–	–	–	–	–	(148,043)	(148,043)
2016/17 special dividend	–	–	–	–	–	–	(118,434)	(118,434)
Total transactions with owners, recognised directly in equity	294,528	4,233	–	(1,470)	–	–	(684,451)	(387,160)
At 31 March 2017	1,080,717	(3,945)	11,783	62,539	133	(62,680)	831,175	1,919,722

26 Cash Flow Information

(a) Cash Generated from Operations

	2018 HK$'000	2017 HK$'000
Profit for the year from continuing operations	465,243	342,509
Loss for the year from discontinued operation	(25,123)	(15,804)
Profit for the year including discontinued operation	440,120	326,705
Adjustments for:		
– Income tax expense	96,729	78,693
– Depreciation of property, plant and equipment	101,267	102,977
– Impairment of property, plant and equipment	5,669	10,423
– Write-off of property, plant and equipment	7,457	1,979
– Provision for slow moving inventories and shrinkage	36,658	32,075
– Gains on disposal of property, plant and equipment	(1,255)	(315)
– Share-based payment	1,065	9,217
– Finance income	(11,837)	(10,105)
	675,873	551,649
Changes in working capital		
– Inventories	(126,104)	(160,590)
– Trade receivables	(78,341)	12,074
– Other receivables, deposits and prepayments	(6,604)	3,648
– Trade payables	305,788	52,418
– Other payables, accruals and retirement benefit obligations	49,668	(19,994)
Cash generated from operations	820,280	439,205

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2018 HK$'000	2017 HK$'000
Net book amount (Note 13)	358	–
Gains on disposal of property, plant and equipment	1,255	315
Proceeds from disposal of property, plant and equipment	1,613	315

27 Commitments

(a) Capital Commitments in Respect of Acquisition of Property, Plant and Equipment

	2018 HK$'000	2017 HK$'000
Contracted but not provided for	**21,405**	13,506

The capital commitments authorised but not contracted amounted to HK$158,012,000 (2017: HK$194,273,000). The amount represents the Group's estimated capital expenditure based on the annual budget approved by the board of directors.

(b) Non-cancellable Operating Leases Commitment

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1-10 years.

As at 31 March 2018, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2018 HK$'000	2017 HK$'000
Land and buildings		
Within one year	**757,716**	823,776
In the second to fifth year inclusive	**837,409**	868,817
After the fifth year	**9,015**	799
	1,604,140	1,693,392

(c) Non-cancellable Operating Leases Rental Receivables

As at 31 March 2018, the Group had total future aggregate minimum lease payments receivable under non-cancellable operating leases as follows:

	2018 HK$'000	2017 HK$'000
Land and buildings		
Within one year	**25,380**	27,270
In the second to fifth year inclusive	**47,000**	76,160
	72,380	103,430

28 Significant Related Party Transactions

Accounting Policy

Related parties are individuals and companies, including subsidiaries, fellow subsidiaries, jointly controlled entities, associated companies and key management personnel, where the individual or company has the ability, directly or indirectly, control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions. A close family member of any such individual is considered to be a related party.

(a) Transactions With Related Parties

	2018 HK$'000	2017 HK$'000
Rental expenses paid to an entity wholly owned by executive directors	1,721	–

Rental expense is mutually agreed by both parties.

(b) Key Management Compensation

Key management, including executive directors, senior management and other key management personnel, represents individual who has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions.

Key management compensation is disclosed as follows:

	2018 HK$'000	2017 HK$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	44,230	43,327
Retirement benefit costs	1,939	1,969
Share-based payment	1,069	7,412
	47,238	52,708

(c) Interest of Directors

There are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities (2017: Nil). During the year and at the year end, no director of the Company had or has a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Group's business to which the Group was or is a party (2017: Nil).

29 Principal Subsidiaries

Particulars of the Principal Subsidiaries at 31 March 2018:

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation (if different from place of incorporation)	Particulars of issued share capital/paid up share capital	Indirect interest held
Astute Approach Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US$7,300,001	100%
Base Sun Investment Limited	Hong Kong, limited liability company	Property holding	Ordinary HK$100 Deferred HK$2	100%
Bethany Services Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US$198,001	100%
Cosmic Rosy Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US$1	100%
Cyber Colors Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US$1	100%
Docile Company Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US$2	100%
Dragon Gold Investments Limited	Hong Kong, limited liability company	Trading of cosmetic and skin care products	Ordinary HK$2	100%
Dragonstar International Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US$1	100%
Elegance Trading (Shanghai) Company Limited (Note 1)	PRC, limited liability company	Wholesale of cosmetic products	HK$10,000,000	100%
Eleanor International Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US$1	100%
Ever Bloom Development Limited	Hong Kong, limited liability company	Investment holding	Ordinary HK$1	100%
Fielding Group Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US$2	100%
Forever Best International Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US$1	100%

29 Principal Subsidiaries (continued)

Particulars of the Principal Subsidiaries at 31 March 2018: (continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation (if different from place of incorporation)	Particulars of issued share capital/paid up share capital	Indirect interest held
Hadatuko Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US$1	100%
Highmove Enterprises Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US$1	100%
Hong Kong Sa Sa (M) Sdn. Bhd.	Malaysia, limited liability company	Trading and retailing of cosmetic products	Ordinary RM20,000,000	100%
Matford Trading Limited	Hong Kong, limited liability company	Property holding	Ordinary HK$100 Deferred HK$6	100%
Methode Swiss Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US$1	100%
Netcom Holdings Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US$50,000	100%
New Image International Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US$6	100%
Nouveau International Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US$1	100%
Rosy Sino Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US$1	100%
Sa Sa Boutique Limited	Hong Kong, limited liability company	Investment holding	Ordinary HK$2	100%
Sa Sa Cosmetic (China) Company Limited (Note 2)	PRC, limited liability company	Trading and retailing of cosmetic products	HK$205,000,000	100%

29 Principal Subsidiaries (continued)

Particulars of the Principal Subsidiaries at 31 March 2018: (continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation (if different from place of incorporation)	Particulars of issued share capital/paid up share capital	Indirect interest held
Sa Sa Cosmetic Company Limited	Hong Kong, limited liability company	Retailing and wholesaling of cosmetic products	Ordinary HK$100 Deferred HK$2	100%
Sa Sa Cosmetic Co. (S) Pte. Ltd.	Singapore, limited liability company	Trading and retailing of cosmetic products	Ordinary S$19,500,000	100%
Sa Sa dot Com Limited	Hong Kong, limited liability company	E-commerce	Ordinary HK$1,000,000	100%
Sa Sa Development Limited	Hong Kong, limited liability company	Property holding	Ordinary HK$100	100%
Sa Sa Health Food Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US$50,000	100%
Sa Sa Investment (HK) Limited	Hong Kong, limited liability company	Property holding	Ordinary HK$100 Deferred HK$2	100%
Sa Sa Investment Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US$1	100%
Sa Sa International (Taiwan) Limited	British Virgin Islands, limited liability company	Trading and retailing of cosmetic products in Taiwan	Ordinary US$6,880,000	100%
Sa Sa Making Life Beautiful Charity Fund Limited	Hong Kong, limited liability company	Charitable activities	Limited by guarantee	100%
Sa Sa Nominees Limited	Hong Kong, limited liability company	Nominee and secretarial services	Ordinary HK$2	100%
Sa Sa Overseas Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US$2	100%
Sa Sa Property Limited	Hong Kong, limited liability company	Property holding	Ordinary HK$100	100%

29 Principal Subsidiaries (continued)

Particulars of the Principal Subsidiaries at 31 March 2018: (continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation (if different from place of incorporation)	Particulars of issued share capital/paid up share capital	Indirect interest held
Sasatinnie Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US$1	100%
SkinPeptoxyl Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US$1	100%
Soo Beauté Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US$1	100%
S.P. Laboratories S.A.	Switzerland, limited liability company	Holding of intellectual property rights	Bearer CHF555,000	100%
Swiss Balance Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US$1	100%
Swiss Rituel Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US$1	100%
Suisse Programme Limited	Gibraltar, limited liability company	Holding of intellectual property rights	Ordinary £100	100%
Whitfield Enterprises Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US$2	100%
鄭州莎莎電子商務有限公司 (Note 3)	PRC, limited liability company	Import and export of goods	Nil (Note 3)	100%

Notes:

1) Elegance Trading (Shanghai) Company Limited is a wholly-owned foreign enterprise in the PRC.

2) Sa Sa Cosmetic (China) Company Limited is a wholly-owned foreign enterprise in the PRC.

3) 鄭州莎莎電子商務有限公司 is a wholly-owned foreign enterprise in the PRC. As at 31 March 2018, there was no paid up share capital. The remaining registered capital not yet paid up amounted to RMB500,000.

30 Statement of Financial Position and Reserve Movement of the Company

Statement of Financial Position of the Company

	2018 HK$'000	2017 HK$'000
ASSETS		
Non-current assets		
Investments in and amounts due from subsidiaries	1,453,817	1,547,362
Other assets	750	750
	1,454,567	1,548,112
Current assets		
Other receivables, deposits and prepayments	2,570	1,679
Time deposits	682,978	415,752
Cash and cash equivalents	9,161	1,988
	694,709	419,419
LIABILITIES		
Current liabilities		
Other payables and accruals	1,740	1,632
Net current assets	692,969	417,787
Total assets less current liabilities	2,147,536	1,965,899
EQUITY		
Capital and reserves		
Share capital	303,885	299,444
Reserves	1,843,651	1,666,455
Total equity	2,147,536	1,965,899

On behalf of the Board

KWOK Siu Ming Simon
Director

KWOK LAW Kwai Chun Eleanor
Director

30 Statement of Financial Position and Reserve Movement of the Company (continued)

Reserve Movement of the Company

	Share premium HK$'000	Shares held under the Share Award Scheme HK$'000	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2017	1,080,717	(3,945)	11,783	62,539	515,361	1,666,455
Profit and total comprehensive income for the year	–	–	–	–	403,187	403,187
Share Award Scheme:						
Value of employee services	–	–	–	1,065	–	1,065
Vesting of shares under Share Award Scheme	–	2,306	–	(2,437)	131	–
Employee share option scheme:						
Proceeds from shares issued upon exercise of share options	61	–	–	–	–	61
Lapse of share options	–	–	–	(1,463)	1,463	–
Issue of shares upon scrip dividend of 2016/17 final dividend (Note 24)	74,160	–	–	–	–	74,160
Issue of shares upon scrip dividend of 2017/18 interim dividend (Note 24)	43,853	–	–	–	–	43,853
Unclaimed dividends forfeited	–	–	–	–	214	214
Dividends:						
2016/17 final dividend	–	–	–	–	(239,555)	(239,555)
2017/18 interim dividend	–	–	–	–	(105,789)	(105,789)
Total transactions with owners, recognised directly in equity	118,074	2,306	–	(2,835)	(343,536)	(225,991)
At 31 March 2018	**1,198,791**	**(1,639)**	**11,783**	**59,704**	**575,012**	**1,843,651**

	Share premium HK$'000	Shares held under the Share Award Scheme HK$'000	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2016	786,189	(8,178)	11,783	64,009	1,001,595	1,855,398
Profit and total comprehensive income for the year	–	–	–	–	198,217	198,217
Share Award Scheme:						
Value of employee services	–	–	–	8,377	–	8,377
Shares purchased for Share Award Scheme	–	(5,343)	–	–	–	(5,343)
Vesting of shares under Share Award Scheme	–	9,576	–	(9,429)	(147)	–
Employee share option scheme:						
Value of employee services	–	–	–	840	–	840
Lapse of share options	–	–	–	(1,258)	1,258	–
Issue of shares upon scrip dividend of 2015/16 final and special dividends (Note 24)	192,424	–	–	–	–	192,424
Issue of shares upon scrip dividend of 2016/17 interim and special dividends (Note 24)	102,104	–	–	–	–	102,104
Unclaimed dividends forfeited	–	–	–	–	274	274
Dividends:						
2015/16 final and special dividends	–	–	–	–	(419,359)	(419,359)
2016/17 interim dividend	–	–	–	–	(148,043)	(148,043)
2016/17 special dividend	–	–	–	–	(118,434)	(118,434)
Total transactions with owners, recognised directly in equity	294,528	4,233	–	(1,470)	(684,451)	(387,160)
At 31 March 2017	1,080,717	(3,945)	11,783	62,539	515,361	1,666,455

GLOSSARY

AGM(s)	Annual general meetings of the Company
Board	Board of directors of the Company
CEO	Chief Executive Officer of the Company
CFO	Chief Financial Officer of the Company
CG Code	Corporate Governance Code and Corporate Governance Report, Appendix 14 of the Listing Rules
Code Provision(s)	Code Provisions in the CG Code
Company, Sasa, Sa Sa, Sa Sa Group, Group, we or us	Sa Sa International Holdings Limited, and, except where the context indicates otherwise, its subsidiaries
Corporate Communication(s)	Any document issued or to be issued by the Company for the information or action of holders of any securities of the Company, including but not limited to annual and interim reports, notice of meeting, listing document, circular and proxy form
Director(s)	Director(s) of the Company, including all executive, non-executive and independent non-executive directors
ERM	Enterprise Risk Management
HKExnews website	http://www.hkexnews.hk
Hong Kong, HK or HKSAR	The Hong Kong Special Administrative Region of the People's Republic of China
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Macau	The Macau Special Administrative Region of the People's Republic of China
Mainland or Mainland China	The People's Republic of China excluding Hong Kong, Macau and Taiwan
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 of the Listing Rules
PRC	The People's Republic of China
PwC, auditor, external auditor or independent auditor	PricewaterhouseCoopers
SFO	Securities and Futures Ordinance, Cap.571
Share(s)	Share(s) of the Company
Shareholder(s)	Shareholder(s) of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
The Company's website	http://corp.sasa.com

This Annual Report 2017/2018 is available in both English and Chinese, and in printed and electronic forms. Shareholders who (i) have received either the English or the Chinese version of the Annual Report and wish to have a copy in the language different from the one that has been received; or (ii) wish to change the choice of means of receipt or language of the Corporate Communications to be received from the Company in future, may request to do so by completing and returning the Change Request Form (which may be downloaded from the Company's website) by post or by hand to Tricor Abacus Limited ("Tricor"), the Company's branch share registrar and transfer office in Hong Kong. Tricor's address is at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. The scanned copy of the completed Change Request Form may also be returned to Tricor by email at sasa-ecom@hk.tricorglobal.com.

The Annual Report and other Corporate Communications are now available on the Company's website at http://corp.sasa.com and the HKExnews website of the Stock Exchange at http://www.hkexnews.hk. If Shareholders have difficulty in receiving or gaining access to the same through the above means for any reason, the Company will promptly upon receiving the Change Request Form send the printed version of the requested document(s) to the Shareholders free of charge.

As an environment-conscious corporate citizen, the Company encourages Shareholders to access the Corporate Communications via the Company's or HKExnews website. The Company's website presents a user-friendly interface in English and Chinese, and all Corporate Communications are easily accessible in the "Investor Relations" section following their releases.

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Shares of Sa Sa International Holdings Limited are traded on
The Stock Exchange of Hong Kong Limited (Stock Code: 178)