SA SA INTERNATIONAL HOLDINGS LIMITED

Sasa
making life beautiful

INSTANT BEAUTY

2018/19

ANNUAL REPORT

STOCK CODE : 178

About Sa Sa

Established in 1978, Sa Sa International Holdings Limited is a leading cosmetics retailing group in Asia.

Listed on the Main Board of The Stock Exchange of Hong Kong Limited in 1997 (Stock Code: 178), our business covers Hong Kong and Macau, Mainland China, Singapore and Malaysia. We position ourselves as one-stop cosmetics specialty stores with a business focus on "Beauty". Our diversified portfolio extends to about 18,000 products from over 700 international brands of skincare, fragrance, make-up, hair care and body care products, as well as health and beauty supplements, including over 180 own brands and other exclusive international brands.

Our e-commerce platforms, sasa.com and mobile app, offer round-the-clock online shopping services along with comprehensive product information to customers from over 100 countries. In line with the new retail era, we are integrating our physical and e-commerce presence, striving to provide a refined and seamless O2O customer experience.

1. Download WedCam at Apple App Store or Google Play Store.
2. Open WedCam and use the app camera to scan the cover of the annual report.
3. Experience the augmented reality (AR) effect hidden in the cover of the annual report!

We see beauty everywhere, in everything and in every person, and our vision is to make life beautiful and meaningful in every way.

Our Vision

Making Life Beautiful

Our Mission

Realising our "Making Life Beautiful" vision, we:

- Create maximum returns for our shareholders
- Empower our employees to grow and excel
- Develop strategic partnerships with our suppliers
- Offer our customers the best products and shopping experiences
- Foster dialogue with our communities to address their needs

Design Concept

Guided by its "Making Life Beautiful" principle, Sa Sa strives to create for its customers a unique and beautiful world, living up to their legends of eternal beauty.

The design concept "Instant Beauty" echoes Sa Sa's "New Retail" strategy – combining the strength of its physical stores and e-commerce business and providing customers instant access to beauty products with a more diversified, personalised, convenient and dedicated online-to-offline shopping experience.

Sa Sa strives to develop its "New Retail" model by capitalising on its diversified and continuously-adapting product portfolio. Customers can instantly reveal their personality and express their inner character through their choice of ideal beauty products, allowing them to live their own beautiful life in eternity.

Contents

Financial Highlights

For the year ended 31 March 2019

Turnover (Continuing operations)	**4.5%** YoY change	HK$8,375.9 million
Profit for the year (Continuing operations)	**1.5%** YoY change	HK$472.1 million
Profit for the year (Including discontinued operation)	**7.0%** YoY change	HK$470.8 million
Basic earnings per share (Including discontinued operation)	**5.2%** YoY change	15.4 HK cents
Cash and bank balance	**16.5%** YoY change	HK$1,140.6 million

Basic dividend per share^ (HK cents)	2019	2018
Interim	**7.0**	3.5
Final	**9.0**	11.0*
Total	**16.0**	14.5*

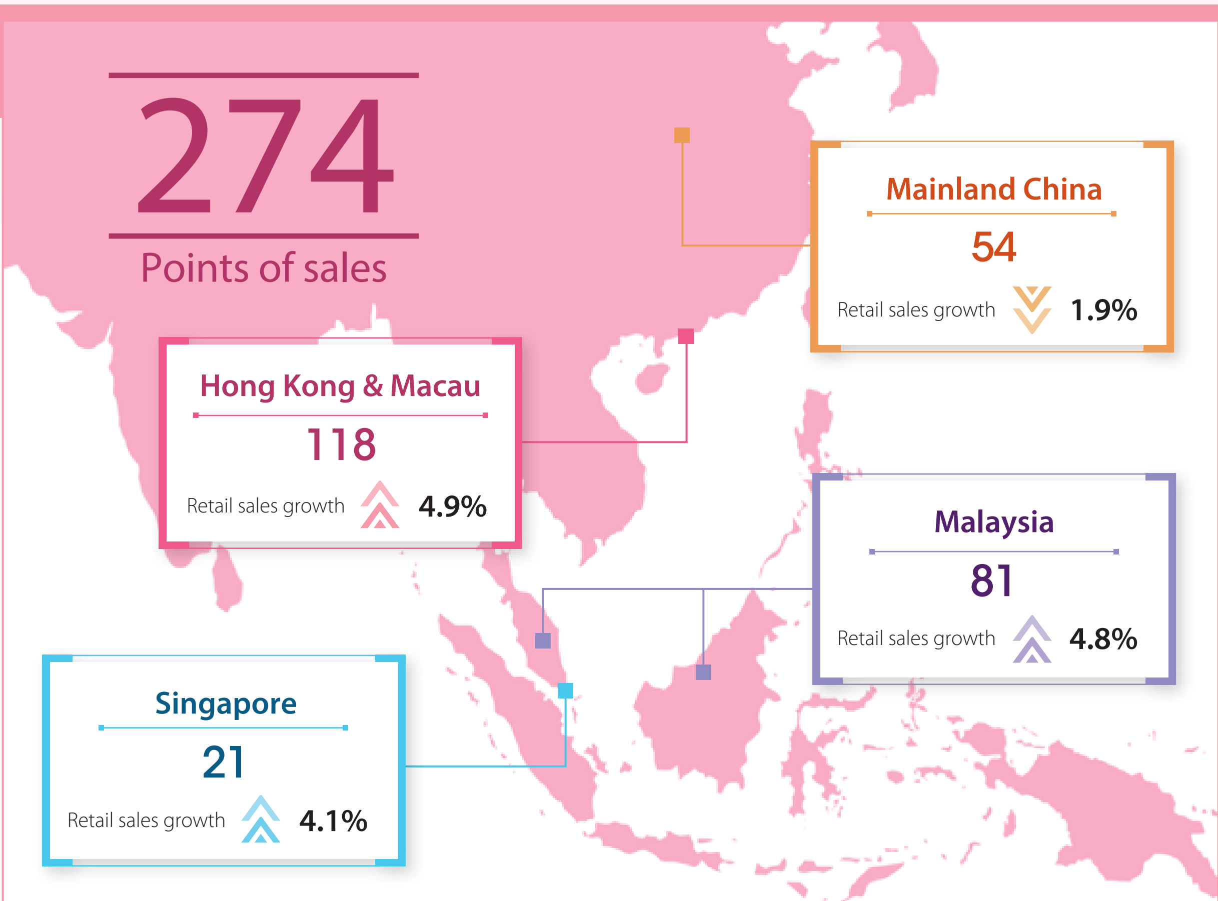
Dividend payout ratio	**~105%**

^ The final dividends will be payable in cash, with a scrip dividend alternative. To facilitate shareholders' reinvestment of their dividends into the Company's shares, the Board has resolved to offer a 5% discount on the subscription price for eligible shareholders who elect to receive the dividends in scrip.

* Excluding the special dividend of 3.0 HK cents per share in commemoration of the 40th anniversary of the Group.

Our Footprint in Asia

As of 31 March 2019

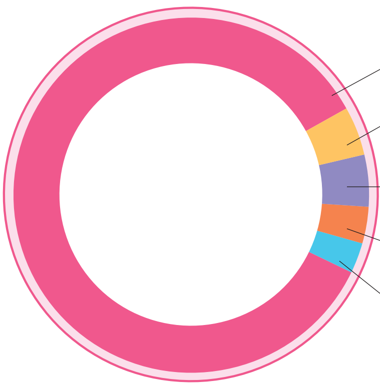


Remark : The above data is settled in local currency

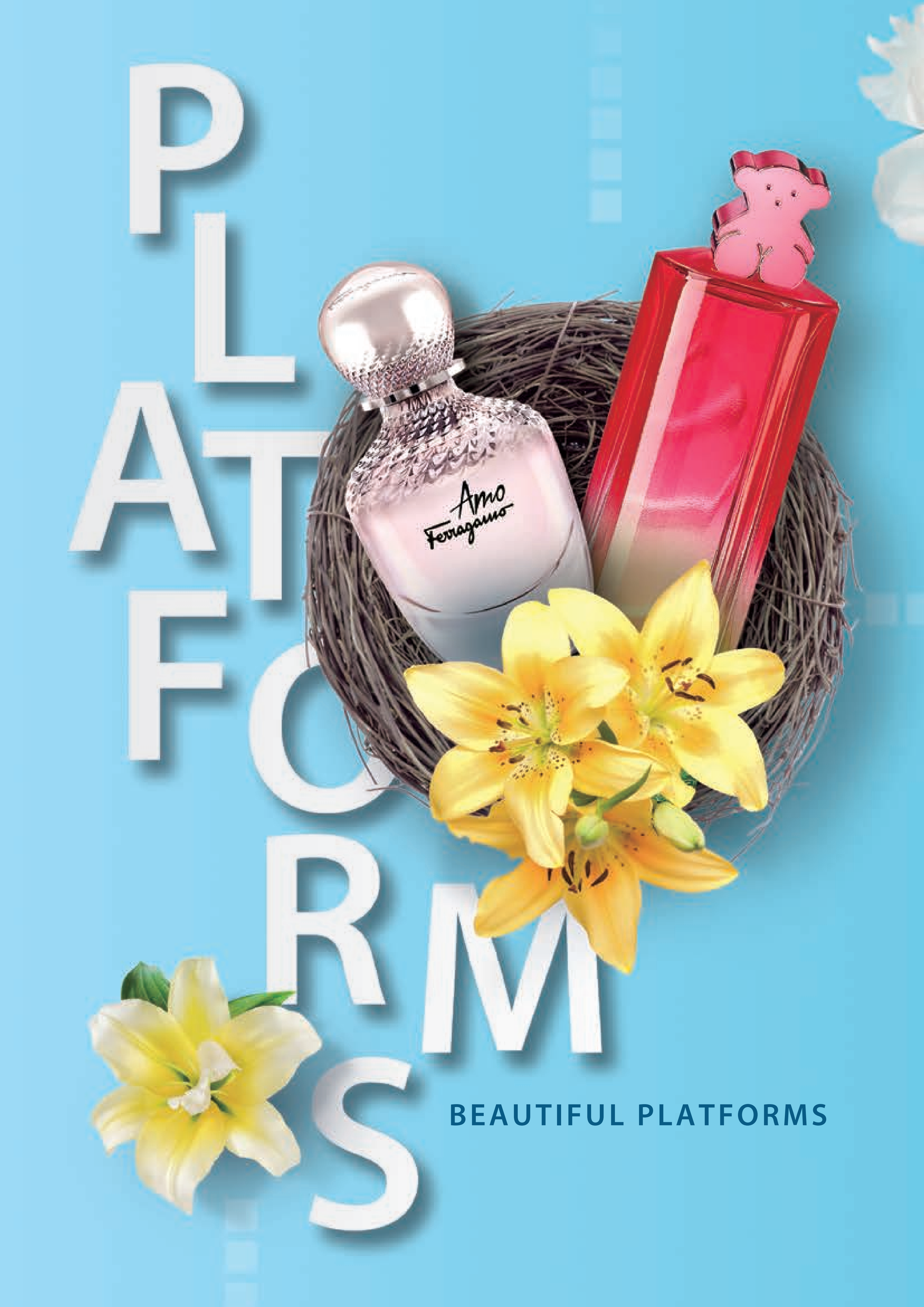
Total no. of employees **~4,700**

Group Geographical Sales Mix

For the year ended 31 March 2019



Hong Kong & Macau	84.7%
E-commerce	4.7%
Malaysia	4.6%
Mainland China	3.4%
Singapore	2.6%
Total	**100%**


PLATFORMS
Amo
Ferragamo
BEAUTIFUL PLATFORMS

We will make use of our integrated customer database in coordination with our physical stores and online presence to provide multiple touch point services to customers.

Making Life Beautiful

As an iconic brand with over 40 years of history, Sa Sa delivers values to our shareholders, customers, employees, suppliers and community in the long term, with the aim of realising our ***Making Life Beautiful*** vision.

Our Strategy

Our Strategic Priorities

Working in a sustainable and responsible manner to bring long-lasting values to our stakeholders.

SUPPLIERS

We develop strategic partnerships with our suppliers and business partners to provide the best-in-class products and services, as well as to maintain our leading position in the industry by offering exclusive products in the market.
See page 82-83

EMPLOYEES

We equip our employees with the best skillsets to address current and future challenges, empower them to pursue personal and career prospects, and support them by promoting a balanced and joyful lifestyle.
See page 74-81

CUSTOMERS

We strive to fulfil customer needs by sourcing quality and diversified product offerings as well as by providing enjoyable shopping experiences catering to fast-changing customer behaviour.
See page 82-83

SHAREHOLDERS

We capture business opportunities to enhance our financial performance with stable and sustainable returns.
See page 144-158

COMMUNITIES

We create positive social impact and address social issues by leveraging our resources and developing strategic partnerships with community groups, promoting beauty in our communities.
See page 96-101

Sound corporate governance, strict regulatory compliance and proactive risk management.

Sa Sa is committed to fostering sustainable business growth and bringing long-lasting values to our stakeholders, thereby realising our "Making Life Beautiful" aspiration – We create maximum returns for our **shareholders**. We empower our **employees** to grow and excel. We maintain strategic partnerships with our **suppliers**. We offer our **customers** the best products and shopping experiences. And we maintain dialogue with our **communities** to address their needs. Throughout our business, we strive to operate in a responsible and sustainable manner, generating the best value for business and society.

Sa Sa' s Business is Mainly Supported by 3 Key Pillars – Customers, Products and Customer Touch Points

Customers

We place customers at the heart our business – We strive to delight our customers with diversified quality products and dedicated multi-brand beauty advice and services. Our brand has been well received and supported by our customers.

Retail stores

~24 million

transactions in FY2018/19

E-commerce*

>1 million

transactions in FY2018/19

* E-commerce includes Sasa.com, mobile app and third-party platforms

Products

As the leading one-stop cosmetics specialty store, we provide an extensive assortment of cosmetics and beauty products at competitive prices to our customers. Our strong product development team optimises our portfolio by accelerating launches of popular products and closely managing product life cycles. As of 31 March 2019, the Group offers:

~18,000

Stock Keeping Units (SKUs)

Diversified products with price range of

HK$1 - HK$5,000

700

International beauty brands

>180

Exclusive and own brands

Our team has strong capability for brand-building, marketing promotions and distribution

Customer Touch Points

We engage and interact with our customers through multiple customer touch points, making progress every day to enhance their shopping experience. We seek to offer more convenient and dedicated shopping options as we move into the new retail era.

Retail Stores across Asia

Online Presence

Sa Sa Website – Sasa.com

Sa Sa Mobile App

Third-party Platforms

HKTVmall *JD.com* *Kaola* *Tmall* *Xiaohongshu*

Our Business Model

Our Business Strengths

Strong Sourcing Team

- Good relationship with reliable suppliers
- Strong market sense, keeping abreast of market trends
- Effective product strategy driven by big data analysis

Professional Beauty Consultants

- Multi-brand beauty advice
- Well-trained

CUSTOMER TOUCH POINTS ► ► ► CUSTOMERS

Own Channels

Physical Stores

+ sasa.com — *Own Website*

莎莎 — *Mobile App*

Third-party Platforms

HKTVmall · *JD.com* · *Kaola* · *Tmall* · *Xiaohongshu*

Strong Brand Reputation

- Widely recognised by creditable institutions

Hong Kong's Unique Edge VS Mainland China's Business Environment

Hong Kong

- Authentic products
- Price advantage with no tariffs
- Fast new product roll-out with wide range of products

Mainland China

- Slower product roll-out due to cumbersome product registration
- Tariffs imposed

Exclusive Distributorship Logos

23years old Premium homecare
Abercrombie & Fitch
AHAVA ELEMENTAL BEAUTY FROM THE DEAD SEA
ALFRED SUNG
ARMAND BASI
ATOPALM 아토팜
ACQUA ALLE ROSE
AZZARO
BANILA CO
b·liv healthy pores healthy skin
UNITED COLORS OF BENETTON.
BENTLEY
BEYOND
Blumarine
BYPHASSE
Céll Fùsion C DERMATOLOGICAL LABORATORY
Chopard
CHRISTIAN BRETON PARIS
COAST TO COAST
COLLISTAR MADE IN ITALY
COLOR COMBOS

Cottage
CREMORLAB a new classic in hydration
CR7
Cyber Colors
Derma:B
DoMeCare MADE IN TAIWAN
Dr.G
Dr.Jart+
Dr.Oracle Your Dermocare Solution
DSQUARED2
DUFT&DOFT
dunhill LONDON
Eleanor
Elizabeth Arden NEW YORK
Ferrari
GIANFRANCO FERRE
GG
goodal ferment beauty
궁중비책 GOONGBE

GUESS
肌っ子
Haruhada ハルハダ
HOLLISTER CALIFORNIA
Huxley
INSTITUT KARITE PARIS
It'S SKIN CLINICAL SKIN SOLUTION
JAGUAR FRAGRANCES
john varvatos
KOCOSTAR
La Colline
La Estephe SWITZERLAND
LEA
LOVE PASSPORT
PRINCESSE MARINA DE BOURBON PARIS
ma:nyo 魔女工場 | 마녀공장
MEDIHEAL 美迪惠尔
Mercedes-Benz Perfume.
MÉTHODE JEANNE PIAUBERT PARIS

Méthode SWISS BEAUTY CARE
MINAM PROJECT
Mum To Be™ AUSTRALIA
Manis COSMETICS
NOV
Neogence 霓淨思 LAB-DERMATOLOGICAL SKINCARE
NATURALLY EUROPEAN
PARFUMS GRÈS PARIS
페리오 | PERIOE
PERLIER
PERRY ELLIS
POLICE
PUPA MILANO
Real Barrier®
Rucipello
Salvatore Ferragamo
samourai woman Champagne Rose
sasatinnie
SHANGPREE Spa Care System

skin79
SkinPeptoxyl
SNP Shining Nature Purity
Soo Beauté
SPRINGFIELDS THE BEAUTY OF NATURE
SUISSE PROGRAMME
sunaoor
SWISS Rituel
TALIKA
the SAEM
TOUS
TRUSSARDI
VELLA
VENUS SPA
VICTORINOX
VOODOO
VT COSMETICS
WellDerma

Our Business Strategies

Embracing the New Retail Era

We live in a changing world – Customer behaviour and preferences are changing. Technologies are changing. A new style of doing retail business is emerging. Sa Sa is therefore moving in a strategic direction that integrates bricks-and-mortar and e-commerce business. The result is our New Retail Model.

By leveraging our current competitive strengths, and making use of big data, new tools and technologies, we aspire to provide a personalised customer journey for our customers. Through this evolution, customers can enjoy a seamless shopping experience at any time and anywhere with no boundaries. Our purpose with the new retail model is to understand our customers better and to meet their changing needs. Ultimately, we aim to improve customer satisfaction and increase their loyalty via stronger customer engagement.

This new retail blueprint will position us to capitalise on the latest trends in the new retail era. It will enable us to further expand our customer base and markets, achieve sustainable business performance, and to fortify our position as the leading cosmetics retailing group in Asia. We expect the benefits of this new retail blueprint to be realised progressively in the mid-to-long term.

Our New Retail Blueprint

Goals in the New Retail Blueprint

1 CUSTOMERS

With better understanding of our customers' shopping patterns via the use of big data and analytics, we strive to provide professional multi-brand beauty advice and a personalised shopping experience along with sound customer relationship management, thereby creating a seamless customer experience.

2 CUSTOMER TOUCH POINTS

Through integrating our physical stores and online business, our multiple digital and physical touchpoints will work together seamlessly, enabling us to serve our customers better with increasingly convenient shopping solutions.

3 PRODUCTS

Our goal is to adjust our product portfolio more strategically – responding to the needs of our customers, continuing to offer highly diversified products at highly competitive prices, and capturing the latest trends and customer preferences.

Our technology enhancement sets out to create a more personalised and seamless customer experience

INTEGRATED CUSTOMER DATABASE

Integrating customer data of Hong Kong, Macau and Mainland China physical stores and e-commerce business to enhance customer engagement.

Our aim is to develop deeper understanding of customers' shopping behaviour, engage customers continuously to boost customer loyalty in the long term, increase repeated purchases, and achieve a seamless shopping experience.

Better serve customers through multiple touch points with integration of three sales units

POINT OF SALE ("POS") SYSTEM

The POS System enables an O2O seamless shopping experience, providing auto-match between customers and current promotions, and shortening the checkout time to enhance store capacity for greater traffic.

WAREHOUSE AUTOMATION

Warehouse automation is the backbone of the future O2O shopping experience and New Retail Model. It enhances daily handling capacity and flexibility with the introduction of a new Order Management System("OMS"), while optimising the overall operational efficiency and transparency of inventory. This shortens delivery lead-time to retail outlets and e-commerce customers, thereby generating greater customer satisfaction.

INTERNET OF THINGS ("IOT")

Providing an interactive customer experience to enhance the enjoyment of product browsing and the product trial process. This will help us to enhance the overall shopping experience, analyse customer behaviour to help formulate better product strategies, and better meet customer demands and preferences.

Fulfilling our commitment of *Service from the Heart*

Risks and Challenges

Embracing the new retail era, Sa Sa is moving in a strategic direction that integrates bricks-and-mortar and e-commerce business. Challenges that may hinder the execution of the New Retail Blueprint are as follows:

CHALLENGES IN TECHNOLOGY ENHANCEMENT	■ **Cybersecurity and personal data privacy risk** The need to better manage cybersecurity and personal data privacy risk due to the increasing number of leaks and the global trend towards more stringent regulations ■ **IT capacity** Enhancement of IT capacity is imminent in order to fully leverage cooperation with third parties and to increase our exposure to potential customers and to drive sales ■ **IT infrastructure and tools** Advancement of IT infrastructure and tools is required to manage compatibility issues and smooth implementation ■ **Talent acquisition** Competition for talents is tough – active development of new channels to retain and recruit talents is required
ASSOCIATED RISKS	■ **Team chemistry throughout the organisation** Good rapport is essential to keep everyone aiming for the same goal ■ **Key performance indicators ("KPIs") versus reward system** Efforts are needed to avoid mismatches between KPIs and the reward system which might affect the launch of the new business model ■ **Business process versus organisational structure** Improvement of company's flexibility and adaptability equips the Group to stand out in the ever-changing business environment

See page 138-143


EXPERIENCES
SUISSE
PROGRAMME
- ADVANCED -
CELLULAR
BOOSTING SOLUTION
SOLUTION COUP DE
FOUET CELLULAIRE
SUISSE
PROGRAMME
COLLAGEX PREMIER
NATIVE COLLAGEN
SERUM MIST
BRUME DE SERUM
AU COLLAGENE PUR
BEAUTIFUL EXPERIENCES

We continue to formulate strategies to cater to the changing patterns in consumer behaviour, preferences and expectations by using big data for business and product analysis.

Our 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 store in Shanghai, Mainland 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

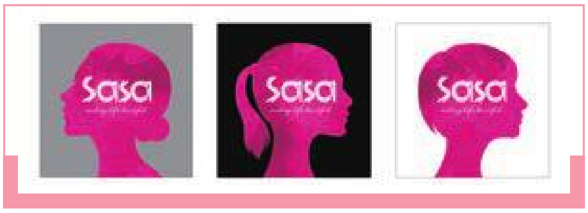
- 35th anniversary of the Group.
- "Sa Sa Making Life Beautiful Charity Fund" was founded.
- Opening of Sa Sa Supreme, the first lifestyle concept store in Asia Pacific, in Causeway Bay, with approximately 20,000-sq. ft.

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.
- Strategic partnership with the third party platform Xiaohongshu.
- Launch of own 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. Brand new "Sa Sa 40th Anniversary • Beauty Land" pop-up store, new store image and uniform design were launched.
- The Group launched the co-branded "BOC Sa Sa Dual Currency Credit Card" with Bank of China (Hong Kong) and Union Pay International.
- Collaboration with Taobao Global.
- Sa Sa store debuted at Hong Kong West Kowloon Station of Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section) to leverage the development of the Greater Bay Area.

2019

- Opening of Sa Sa Hong Kong Flagship Store on HKTVmall.
- Being the first physical cosmetic store to launch Seagrape Deep Hydrating Water Gel Mask of beauty brand FAN BEAUTY established by the Chinese megastar Fan Bingbing globally.


SERVICE
BEAUTIFUL SERVICES

We aim to understand customers better and to interact more closely with them, moving towards the long-term goal of providing a seamless online-to-offline shopping experience.

Our Awards and Recognitions

Corporate Governance and Management

Dr Simon Kwok, our Chairman and CEO was named "Business Person of the Year" at the "DHL/SCMP Hong Kong Business Awards 2018" organised by DHL and South China Morning Post, honouring his outstanding achievement in the business community and positive contribution to society.

Dr Eleanor Kwok, our Founder and Vice-chairman, has been awarded the "Women of Hope 2019 Entrepreneur Award" by Hong Kong Adventist Hospital Foundation ("HKAHF"), in recognition of her outstanding achievement in the Hong Kong business sector, positive contribution to society as well as ceaseless efforts in philanthropy, striving to "make life beautiful" for the underprivileged.

Mrs Melody Kwok-Chan, our Vice President of Corporate Strategy and Development, was conferred an Honorary Fellowship by the Professional Validation Centre of Hong Kong Business Sector ("PVCBS"), in recognition of her outstanding achievement in the Hong Kong business sector as well as positive contribution to the cosmetics industry and society. In addition, nine frontline staff of the Group were awarded Professional Membership in the ceremony.

The Group was awarded the "PVCBS Business Excellence Award 2018" and four other awards by the Professional Validation Centre of Hong Kong Business Sector ("PVCBS"):

- Sincere Service Excellence Award 2018
- Creative Strategy Excellence Award 2018
- Social Service Excellence Award 2018
- Environmental Excellence Award 2018

The Group won "Best IR Company Award" and five other awards in the small-cap category at the 5th Investor Relations Awards organised by Hong Kong Investor Relations Association ("HKIRA").

We received the following prizes in the small-cap category:

- Best IR Company
- 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
- Best Investor Presentation Material
- Best Annual Report

Dr Guy Look, our Chief Financial Officer and Executive Director, has been awarded the "Best IR Award" in the "Golden Hong Kong Stocks Awards 2018" co-organised by Zhitongcaijing.com and www.10JQKA.com.cn.

The Group was awarded the "Listed Enterprise Excellence Awards 2018 – Excellent Performance Award" by Capital Weekly. In addition, the Group has garnered the "Best Investment Value Award for Hong Kong Listed Companies under Stock Connect" at the "2018 Gold Wing Awards" by the Securities Times.

The Group was awarded for "Excellence in Financial Reporting" in the "IR Magazine Awards – Greater China 2018" by the internationally renowned IR Magazine.

The Group's 2017/18 annual report was awarded "Citation for Environmental, Social and Governance Disclosure" in the "2018 Best Annual Reports Awards" by the Hong Kong Management Association, and Gold Award of "Annual Reports – Interior Design" in "Mercury Excellence Awards 2018/19". Meanwhile, with the theme "Beauty Propagating", our 2016/17 annual report received "Honours Award" in "2018 International ARC Awards" organised by independent awards organisation MerComm, Inc.

Brand Recognition

Mrs Melody Kwok-Chan, our Vice President of Corporate Strategy and Development, was named "CMO Marketer of the Year" by Hong Kong Institute of Marketing ("HKIM") at its "HKIM Market Leadership Award 2018/19", in recognition of her outstanding achievement and contribution in marketing strategy development. Meanwhile, we have once again clinched the "Market Leadership Awards" in the beauty care category.

The Group was awarded the "Q-Mark Elite Brand (Cosmetic Category)" by Hong Kong Q-Mark Council for five years in a row. The Group was also awarded the "Hong Kong Classic Brand Award 2018" organised by East Week Magazine.

Sa Sa was honoured as "Consumer Caring Company" by GS1 Hong Kong in recognition of our efforts in understanding consumer behaviour and caring for employees, as well as our outstanding performance in service excellence, product quality and safety assurance.

The Group was awarded the "Brand of the Year Award" once again at the "World Branding Awards 2018" organised by World Branding Forum.

Service Excellence

The Group has received a total of eight accolades from the Hong Kong Retail Management Association ("HKRMA") in the 2018 "Mystery Shoppers Programme", "Service and Courtesy Award" as well as "Quality E-Shop Recognition Scheme":

Mystery Shoppers Programme

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

Service & Courtesy Award

- The Best Team Performance Award – Bronze Award
- Excellent Service Star – three teammates
- Individual Gold Award – Supervisory Level (Cosmetics Stores & Nutritious Category)
- Individual Silver Award – Junior Frontline Level (Cosmetics Stores & Nutritious Category)
- Individual Bronze Award – Junior Frontline Level (Cosmetics Stores & Nutritious Category)

Quality E-Shop Recognition Scheme

- Top 10 Quality E-Shop Awards – Sasa.com

Sa Sa has been honoured as "Tourists' Choice" at the "Hong Kong Service Awards 2019" by East Week, marking the 11th win of the Group.

The Group received the several prestigious awards in Cosmetics, Personal Care Products and Specialty Store category at "Outstanding QTS Merchant and Service Staff Awards 2019" organised by the Hong Kong Tourism Board ("HKTB"):

- Outstanding QTS Merchant Award Gold (La Colline Shop)
- Outstanding QTS Merchant Award Silver (Sa Sa Cosmetic)
- Outstanding QTS Merchant Service Staff Award
  - Supervisory Staff (Two Gold and one Bronze)
  - Frontline Staff (One Gold, one Silver and one Bronze)

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

We have participated in the "Low-carbon Office Operation Programme (LOOP) Labelling Scheme" organised by WWF-Hong Kong for seven years, and have been rewarded the Silver Certified Label, in recognition of our active promotion and execution in energy conservation.

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

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

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 14 consecutive years, Sa Sa received the "10 Year Plus Caring Company Logo" since 2015, in recognition of its contributions in building a cohesive society.

We were accredited as Manpower Developer from 2011 to 2019 by the Employees Retraining Board ("ERB").

Awards Presented to Sa Sa's Exclusive Products

Hong Kong

COSMOPOLITAN Best of the Best Beauty Awards 2018

- **Best Anti-aging Product – Anti-wrinkle (1st runner up)**
  Suisse Programme Caviar Premier Lifting Serum
- **Best Anti-pollution Product (1st runner up)**
  Real Barrier Moisture Cream
- **Best Deep Cleansing Mask (1st runner up)**
  AHAVA Purifying Mud Mask
- **Best Pore Refining Treatment (2nd runner up)**
  Neogence Refining Mask With Nine Essences Of Hyaluronic Acid
- **Best Eye Treatment (2nd runner up)**
  La Colline Cellular Eye Contour Definition
- **Best Anti-Aging Product – Anti-Wrinkle (2nd runner up)**
  La Colline Matrix R3 Cellular Matrix Mask
- **Best Lotion (2nd runner up)**
  Dr.Jart+ Ceramidin Liquid

Marie Claire Best Label Award 2017/18

- **Best Cushion**
  Rosy Glow CC Cushion SPF50PA+++
- **Best Lipstick**
  Eleanor The Miracle Key Satin Lipstick
- **Best Rejuvenating Serum**
  Méthode SWISS Edelweiss Hydrating Serum
- **Best Pre Essence Category**
  Suisse Programme Advanced Cellular Boosting Solution

JESSICA My Star-Rated Beauty Award 2018

- **Moisturising Mask**
  Eleanor Moisture-Rich Skin Firming Face Mask
- **Pre Serum**
  Suisse Programme Advanced Cellular Boosting Solution (3rd)

Singapore

CLEO Body Awards 2018

- **Best Post-Sun Soothing Gel**
  Soo Beaute 99% Jeju Green Aloe Vera Soothing Gel
- **Best Waterproof Sunscreen for Body**
  Hadatuko UV Cut Spray Face & Body SPF50+ PA++++

NYLON Beauty Hit List 2018

- **Best Liquid Foundation (Winner)**
  Cyber Colors Black Label Essence UV Liquid Foundation SPF18 PA++
- **Best Setting Powder (Editor' s Pick)**
  Cyber Colors Black Label Essence Silky Loose Powder

ZULA Beauty Awards 2019

- **Best Exfoliator**
  Dr.G Brightening Peeling Gel
- **Best Mask**
  Soo Beaute Pro Vita B5 Moist Mask
- **Best Eyebrow Product**
  theBalm Furrowcious Eyebrow Pencil

Malaysia

Female Beauty Awards 2018

- **Best Bronzer**
  Artdeco X Claudia Schiffer Contouring Powder

Her Beauty Awards 2018

- **Best Blusher (Editor's Pick)**
  Pupa Like A Doll Luminys Blush
- **Best Eyeliner (Editor's Pick)**
  Eleanor The Miracle Key Gel Eye Definer
- **Best Firming Lotion/Cream (Editor's Pick)**
  Collistar High-Definition Shaping Cream
- **Best Floral Fragrance (Editor's Pick)**
  Gianfranco Ferre Rose EDT
- **Best For Brow (Editor's Pick)**
  Cyber Colors Stay Brow Powder Dipliner
- **Best Powder Eyeshadow (Editor's Pick)**
  theBalm Nude Beach Eyeshadow Palette

CLEO Beauty Hall of Fame 2018

- **Best Body Scrub**
  Collistar Reshaping Mud Scrub

Citta Bella Beauty Awards 2018

- **Best Budget Skincare**
  Haruhada Hyaluronic Acid Hydrating Skin Lotion
- **Best Eye Care**
  Dr. Young Anti Dryness Eye Gel
- **Best Eye Shadow**
  MKUP Rosy Nude Eye Makeup
- **Best Hair Conditioner**
  Haruhada Ginger Conditioner
- **Best Hydrating**
  Dr. G Aquasis Water Soothing Gel Cream
- **Best Make-Up Tool / Brush**
  Beter Professional Makeup Double Brush For Eyebrow And Eyelash
- **Best Make-Up Tool / Brush**
  Color Combos Fairy Blessings Magnetic Brush Set

Ten-Year Financial Summary

Consolidated Income Statement

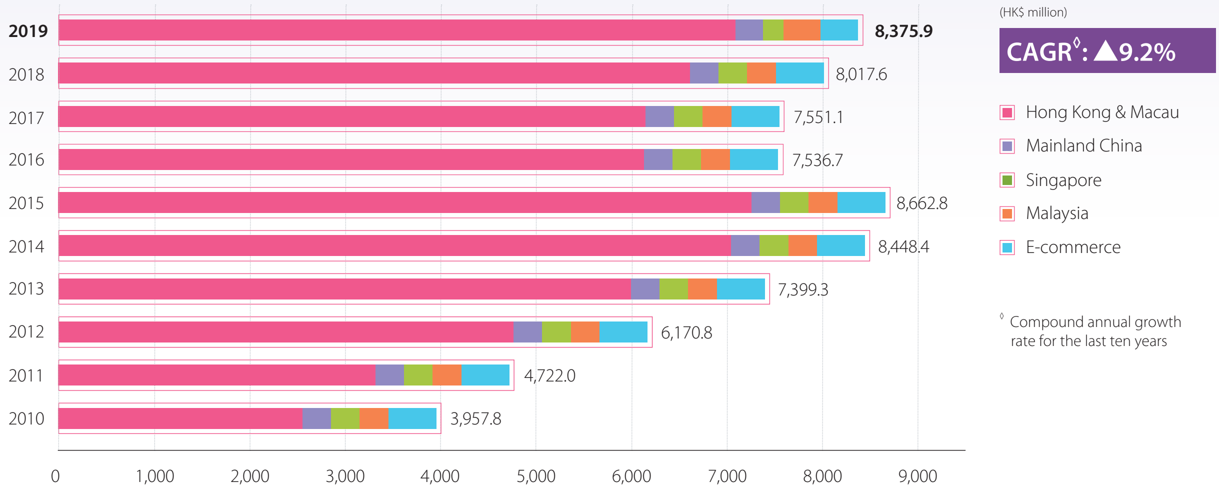
				< Note 2 >	< Note 2 >	< Note 2 >	< Note 2 >	< Note 2 >	< Note 2 >	< Note 1 & 2 >
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			Restated	Restated	Restated	Restated	Restated	Restated	Restated	Restated
Turnover										
– Continuing operations	**8,375,900**	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
– Discontinued operation	**13,259**	213,161	195,078	254,580	289,245	282,311	254,546	225,801	173,324	147,060
	8,389,159	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
Gross profit										
– Continuing operations	**3,417,798**	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
– Discontinued operation	**3,271**	94,476	88,309	109,566	125,377	123,328	112,975	99,551	77,714	62,922
	3,421,069	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
Gross profit margin										
– Continuing operations	**40.8%**	42.1%	41.6%	43.3%	45.5%	47.1%	46.9%	45.5%	45.3%	44.4%
– Discontinued operation	**24.7%**	44.3%	45.3%	43.0%	43.3%	43.7%	44.4%	44.1%	44.8%	42.8%
	40.8%	42.1%	41.7%	43.3%	45.4%	47.0%	46.8%	45.5%	45.3%	44.3%
Operating profit/(loss)										
– Continuing operations	**542,778**	548,833	411,222	475,173	992,023	1,115,349	990,546	828,068	605,570	460,586
– Discontinued operation	**(1,335)**	(23,821)	(15,929)	(14,098)	(235)	(1,843)	(3,377)	306	2,697	(1,262)
	541,443	525,012	395,293	461,075	991,788	1,113,506	987,169	828,374	608,267	459,324
Profit/(loss) for the year										
– Continuing operations	**472,068**	465,243	342,509	397,415	838,883	936,926	828,874	689,290	506,492	383,036
– Discontinued operation	**(1,316)**	(25,123)	(15,804)	(13,945)	(72)	(1,691)	(3,240)	419	2,778	(1,149)
	470,752	440,120	326,705	383,470	838,811	935,235	825,634	689,709	509,270	381,887
Profit margin										
– Continuing operations	**5.6%**	5.8%	4.5%	5.3%	9.7%	11.1%	11.2%	11.2%	10.7%	9.7%
– Discontinued operation	**-9.9%**	-11.8%	-8.1%	-5.5%	–	-0.6%	-1.3%	0.2%	1.6%	-0.8%
	5.6%	5.3%	4.2%	4.9%	9.4%	10.7%	10.8%	10.8%	10.4%	9.3%

Consolidated Statement of Financial Position

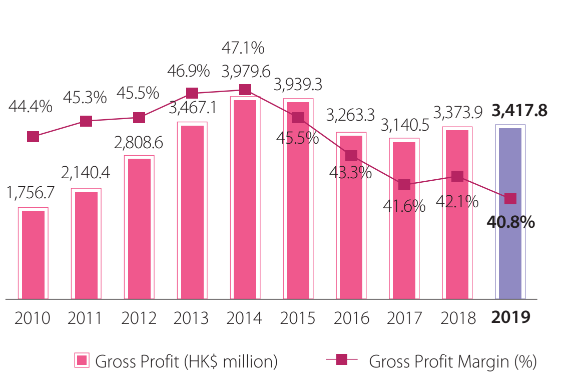
Total assets	**3,406,480**	3,577,048	2,929,077	2,971,503	3,390,073	3,237,427	2,797,241	2,466,500	1,876,511	1,569,485
Total liabilities	**(919,872)**	(1,094,208)	(709,911)	(683,217)	(915,565)	(912,298)	(821,767)	(835,676)	(523,818)	(384,711)
Net assets	**2,486,608**	2,482,840	2,219,166	2,288,286	2,474,508	2,325,129	1,975,474	1,630,824	1,352,693	1,184,774
Shareholders' funds										
Share capital	**309,560**	303,885	299,444	289,213	284,468	284,306	282,691	281,467	280,253	139,131
Reserves	**2,177,048**	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
Total equity	**2,486,608**	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

Ten-Year Financial Summary

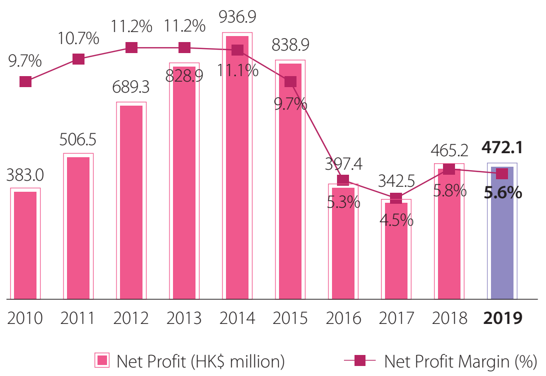
Turnover
(Continuing operations)



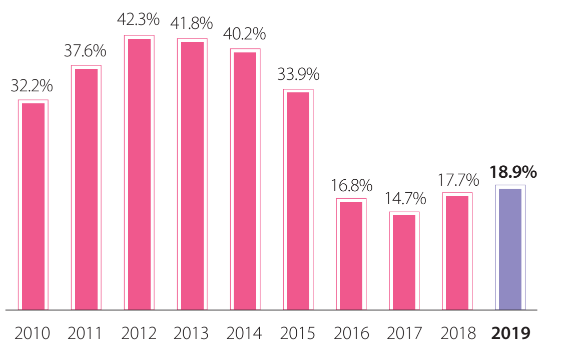
Gross Profit and Gross Profit Margin
(Continuing operations)



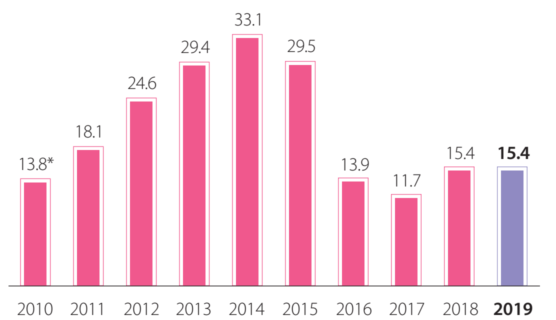
Net Profit and Net Profit Margin
(Continuing operations)



Return on Equity



Basic Earnings Per Share
(Continuing operations)



* Adjusted for the 1:1 Bonus Issue

(HK cents)

Consolidated Statement of Cash Flows

	2019 HK$'000	2018 HK$'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
Net cash generated from operating activities	**346,233**	748,214	356,723	578,922	1,069,606	1,021,080	846,245	639,477	443,103	414,655

Per Share Data and Key Ratios

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Basic earnings per share (HK cents) (Note 3)										
– Continuing operations	**15.4**	15.4	11.7	13.9	29.5	33.1	29.4	24.6	18.1	13.8
– Discontinued operation	**–**	(0.8)	(0.5)	(0.5)	–	(0.1)	(0.1)	–	0.1	–
	15.4	14.6	11.2	13.4	29.5	33.0	29.3	24.6	18.2	13.8
Diluted earnings per share (HK cents) (Note 3)										
– Continuing operations	**15.4**	15.4	11.7	13.9	29.5	33.0	29.3	24.4	18.0	13.7
– Discontinued operation	**–**	(0.8)	(0.5)	(0.5)	–	(0.1)	(0.1)	–	0.1	–
	15.4	14.6	11.2	13.4	29.5	32.9	29.2	24.4	18.1	13.7
Return on equity	**18.9%**	17.7%	14.7%	16.8%	33.9%	40.2%	41.8%	42.3%	37.6%	32.2%
Dividend per share (HK cents) (Note 3)										
Basic	**16.0**	14.5	13.0	14.0	14.0	13.5	7.5	5.5	4.0	4.0
Special	**–**	3.0	4.0	9.5	9.5	10.0	13.5	12.0	10.0	10.0
Total	**16.0**	17.5	17.0	23.5	23.5	23.5	21.0	17.5	14.0	14.0
Dividend payout ratio	**105.2%**	120.7%	154.9%	176.1%	79.7%	71.4%	71.9%	71.4%	77.1%	102.0%
Dividend yield as at 31 Mar (Note 3)	**6.0%**	4.3%	5.6%	9.8%	6.2%	3.8%	2.8%	3.9%	3.5%	4.6%
Closing share price as at 31 Mar (HK$) (Note 3)	**2.68**	4.06	3.06	2.41	3.79	6.22	7.51	4.50	3.97	3.03
Price/Earnings (times)	**17.4**	27.8	27.4	17.9	12.8	18.8	25.7	18.3	21.8	22.0
Net assets value per share (HK$) (Note 3)	**0.80**	0.82	0.74	0.79	0.87	0.82	0.70	0.58	0.48	0.43
Current ratio (times)	**3.34**	2.97	3.81	3.90	3.31	3.05	2.82	2.47	3.09	3.57
Gearing ratio	**–**	–	–	–	–	3.4%	–	–	–	–

Operational Data

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Number of retail outlets for the continuing operations	**274**	265	263	259	255	251	232	223	185	156
– Multi-brand "Sasa" stores	**273**	264	261	256	249	242	221	201	162	135
– Single-brand stores/counters	**1**	1	2	3	6	9	11	22	23	21
Total gross retail area for the continuing operations (rounding to the nearest thousand sq ft) (Note 4)	**548,000**	551,000	566,000	555,000	565,000	589,000	514,000	463,000	331,000	271,000
Stock turnover days	**104**	102	99	91	103	108	111	125	109	90
Number of employees (rounding to the nearest hundred)	**4,700**	4,800	4,900	4,900	5,000	5,000	4,800	4,300	3,500	2,800

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 for 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.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BEAUTY CARE
EDELWEISS
HYDRATING SERUM
SERUM HYDRATANT
EDELWEISS
Méthode SWISS
BEAUTY CARE
EDELWEISS
HYDRATING EMULSION
EMULSION HYDRATANTE
EDELWEISS
EDELWEISS MOISTURIZING CREAM
CREME HYDRATANTE EDELWEISS

We are committed to embracing
the New Retail era,
and to becoming increasingly
customer-centric for our future
development.

Chairman's Statement

> "Our long-term competitive advantage is built on the Group's financial strength and rigorous management, which support us in our goal of generating long-term value for our shareholders."

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

I hereby report that Sa Sa International Holdings Limited delivered modest sales and profit growth for the year ended 31 March 2019 (the "financial year"), against a backdrop of fast evolving customer preferences, a rapidly changing macro environment and an increasingly competitive landscape.

Our successful product strategy delivered an encouraging performance in the first half of the financial year. However, the second half was affected by multiple factors that significantly offset the achievements of the Group in the first half. As a result, annual turnover increased modestly by 4.5% to HK$8,375.9 million for the continuing operations. The Group continued to prudently expand its retail outlets from 265 last year to 274 as of 31 March 2019. Excluding the loss making retail business in Taiwan, which was discontinued in the last financial year, profit for the year from continuing operations was HK$472.1 million, a mild increase of 1.5% over the last financial year. Although the market environment became increasingly challenging in the second half of the financial year, the Group pressed ahead and continued to develop its new retail business operating model.

The Group is committed to generating sustained and consistent returns to our shareholders. The board of directors proposed a final dividend of 9.0 HK cents (2018: 11.0* HK cents) per share, payable in cash with a scrip dividend alternative. Together with the interim dividend of 7.0 HK cents (2018: 3.5 HK cents) per share, total annual dividend amounted to 16.0 HK cents (2018: 14.5* HK cents) per share.

* Excluding the special dividend of 3.0 HK cents per share in commemoration of the 40th anniversary of the Group.

Steadily Building our Operating Platform

Hong Kong and Macau

In our core market of Hong Kong and Macau, sales grew encouragingly in the first half of the financial year but a decline in the second half of the financial year partially counterbalanced the strong growth in the first half. As a result, the Group's sales recorded a modest growth rate of 4.9% for the whole financial year.

In the first half, the strong appeal of trendy products, fast traffic growth and robust consumption by customers drove the Group's sales performance. Consumer sentiment in the second half was impacted by the weakness in the Renminbi ("RMB") exchange due to the Sino-US Trade War as well as a decline in both the stock and property markets. Furthermore, the new E-commerce Law enacted by the Chinese government came into force at the beginning of 2019, dampening the sales of trendy products. Many new pharmacy stores selling skincare and cosmetic products also opened in tourist areas, intensifying competition.

Although there was a marked increase in Mainland tourist arrivals generated by the launch of two mega infrastructure developments in the autumn of 2018, they mainly comprised sightseeing trippers with modest spending power and so far have not greatly contributed to Hong Kong's and the Group's overall sales. However, the Group believes that subject to the impact of the trade war, the Greater Bay Area development supported by numerous new policies and infrastructure developments will generate higher local and tourist consumption going forward.

The Group continued to implement an effective store strategy during the financial year, optimising its network by closing underperforming stores, and adding new stores located in tourist hot spots such as Hong Kong West Kowloon Station, Tsim Sha Tsui, Sheung Shui and Tuen Mun. Under a conscious effort to control rental costs, the Group renewed rental contracts with modest rental growth of 0.5%.

The refocusing of the Group towards the new retail business model continued to make progress during the financial year. We completed phase one of the integration of all customer data from the three business units, namely Hong Kong and Macau physical stores, Mainland China physical stores and our online operations, uploading them to a centralised customer relationship management ("CRM") system. The Group also completed the data verification process and will get prepared to upload transaction details of existing customers as well as new customer data to the consolidated database.

We also assigned certain stores to pilot the use of new mobile devices for checkout in order to shorten waiting time at the cashiers and to improve the overall shopping experience. The Group is in the process of changing the in-store Point of Sale ("POS") system, which is expected to launch within the financial year ending 31 March 2020. The aim is to accelerate checkout time and improve the overall customer experience, including enabling the Group to move towards customer self-checkout.

In terms of logistics, the Group relocated various warehouses in Hong Kong to a single base at ATL Logistics Centre in late 2017. Continuous improvements in space utilisation and operational efficiency have been achieved, enabling the Group to enhance warehouse automation and accelerate delivery speed.

Beyond Hong Kong and Macau

We continue to focus our efforts on enhancing operations in our Hong Kong, Macau, Mainland China, Singapore and Malaysia markets as well as our e-commerce business. In order to achieve sustainable growth in the rapidly changing new retail environment, we are also committed to further integrating our online and offline operations so that our customers can enjoy a more enjoyable and seamless online-to-offline ("O2O") shopping experience.

Mainland China and E-commerce

In Mainland China, we continued to optimise our retail network, opening new stores in a cautious manner while closing underperforming stores. Capitalising on the opportunities of the Greater Bay Area, the Group opened new stores in Zhuhai, Dongguan, Jiangmen and Huizhou. Outside of the Greater Bay Area, a new store was also opened in Nanjing, bringing to 54 the number of stores in Mainland China.

To enhance sales and tackle weakness in the sales of house-brand products in the first half, the Group restructured its sourcing team in the second half and further adjusted its product mix. Various marketing promotions and VIP membership activities were launched, which successfully recruited new members. In addition, the Group proactively organised other promotional activities to stimulate sales in stores.

E-commerce business offers important additional touch points to the Group's customers. To align with the Group's development, a new Order Management System ("OMS") and a new e-commerce engine supporting Sa Sa's own website and mobile app were being developed during the financial year. Meanwhile, the Group continued to partner with various renowned e-commerce platforms and explored new potential channels in order to expand its customer base and drive sales. Sales from third-party platforms in Mainland China have therefore become a major growth driver in the short term.

To improve logistics, the Group began to launch cross-border e-commerce B2C direct mailing services during the financial year, which resulted in higher efficiency and lowered the logistics cost to sales ratio. This service also helps to avoid detention of goods at Customs in Mainland China and to minimise stock losses caused by such events.

Overall, the rapid rise of e-commerce has opened up opportunities to develop the Group's "New Retail" initiatives, thereby enhancing customer loyalty and driving the sustainable growth of the Group in the long run.

Singapore and Malaysia

In Singapore, the Group continued to optimise its existing store network and opened new stores. These new stores are largely concentrated in suburban areas to bring in customers from the neighbourhood and to cater to local customers' evolving shopping behaviour. We will continue to build on this store network to increase our presence in the market, enhance profitability and deliver greater contributions to the Group.

During the financial year, we worked closely with suppliers to diversify our product portfolio, deliver new house-brand products and remove low productivity SKUs, thereby strengthening the sales mix of our products and improving new product launches.

In Malaysia, the Group's business experienced month-to-month fluctuations due to changes in the consumption tax policy introduced by the new Malaysian government. Despite these challenges, the Group continued to exploit new business opportunities and recorded a satisfactory performance. The Group's retail network in Malaysia registered the fastest growth in the financial year.

A major sales driver was the Group's strategy of targeting local Malays as customers. Measures included a CRM adapted for local Malays as well as marketing promotions aimed specifically at Malays. Meanwhile, the Group continued its proven strategy of attracting and retaining Chinese customers while establishing online channels to complement the Group's offline business.

The Pathway to the Future

There are many uncertainties in the external environment that may lead to a slowdown in global economic growth, not least the escalation of trade disputes between China and the US that may have a direct impact on consumers and businesses. The Hong Kong Retail Management Association ("HKRMA") expects the overall growth rate in sales will decelerate further and maintains its forecast of low single-digit growth for 2019 as a whole. However, looking further ahead, the Group believes that the development of the Greater Bay Area will bring about market opportunities in the medium to long term.

The Central Government's "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" ("Development Plan for GBA") underlines the core objectives: to create synergies and to drive economic development, leveraging the complementary advantages of the three regions. Facilitated by the two new mega infrastructure and other lesser known developments linking the network, the Group believes that under the Development Plan for GBA the improved connectivity between Hong Kong and other cities in the region will generate more foot traffic across various cities. This will give Sa Sa enhanced access to a vast pool of shoppers and customers from Guangdong Province and beyond – a key demographic for our physical stores. At the same time, the Group's retail store network in the Greater Bay Area will serve as important touch points when Mainland customers return home, laying the foundation for the Group's new retail strategies.

For Hong Kong and Macau, the Group will take into account evolving demographics, changes in visitors from their first entry points, as well as developments in the competitive landscape. We aim to open stores in selected areas to fill gaps in targeted districts and to prudently improve catchment in others. This will enable us to capture reasonable rental opportunities where possible, thereby strengthening our network competitiveness at a reasonable overall rental cost. For Mainland China, the Group will further develop its focus on Southern China as part of our network strategy.

Joining the Vanguard of the New Retail Era

"New Retail" is a phrase first coined by Alibaba Chairman Jack Ma in 2016, whose core is the combination of online and offline, of people, goods and warehouses, and of virtual space and reality – in other words, how to seamlessly combine consumers, goods, mode of delivery and supply chain.

According to the Hong Kong SAR "2019-20 Budget", Hong Kong will focus on the development of biotechnology, financial technology, smart city and artificial intelligence, to create a super-smart city. This will allow the local retail industry to have its fingers on the global pulse.

Guided by its "customer-centric" principle, the Group aims to understand customers better and to interact more closely with them, moving towards the long-term goal of providing a seamless O2O shopping experience to its customers.

The "New Retail" model is the core of our strategic development in the medium to long term. The most important step of the Group's "New Retail" initiatives is to integrate the customer database of our physical stores in Hong Kong, Macau and Mainland China with that of our e-commerce business. The Group will use this integrated customer database and coordinate our physical stores in Hong Kong, Macau and Mainland China as well as our online presence to provide multiple customer touch points. This integration will greatly strengthen the Group's customer relationship management. By using big data for business and product analysis, the Group will be able to formulate strategies to cater to the changing patterns in consumer behaviour, preferences and expectations.

Further initiatives include launching the POS system in Hong Kong stores in different stages by the end of the financial year of 2020. This will accelerate the checkout process by further simplifying promotions and by supporting comprehensive mobile payments in the retail industry. When combined with other developments in the pipeline, the new POS system has the capability to enhance both the physical store and online shopping experience. We plan to propose an in-store Internet of Things (IOT) to enhance the interactive customer experience and to deepen the enjoyment of product browsing and the product trial process.

A new O2O service named "Click-and-Collect" will be launched in Singapore and Malaysia to interact more closely with customers. Customers may purchase products at the website or on their mobile app, with the option of picking up the goods at our physical stores. The Group will also strengthen efforts and investment in digital marketing and content marketing.

To achieve the expected goals of the integrated customer database, the Group has to overcome a number of challenges. These include the restructuring of business units, assigning new responsibilities for better alignment, changing work processes and designing new departmental key performance indicators. The commission reward system for front-line staff will also be revised. Such organisational restructuring requires determination, dedication, patience and expertise as well as the right mind-set at all levels to make it work.

Optimising Product Strategies, Sales Channels and Warehouse Management

Product strategy is at the core of the Group's competitiveness. The Group will continue to adjust its product portfolio in order to adapt to changing consumer preferences. In terms of product management, the Group will strive to achieve a more balanced approach to product offerings by providing more products with high linked sales of own-brand products, all with the aim of enhancing profitability. We will also eliminate low productivity SKUs from the portfolio and promptly respond to market trends in order to cater to rapidly changing consumer preferences.

The Group will make use of big data and analysis to formulate sound product strategies and improve product life cycle management, generating more effective marketing strategies to enhance the customer experience. In order to boost sales and achieve operating leverage, we will actively grow the market share and revenue of our exclusively sold products through the expansion of wholesale distribution channels in our Hong Kong and Mainland China markets.

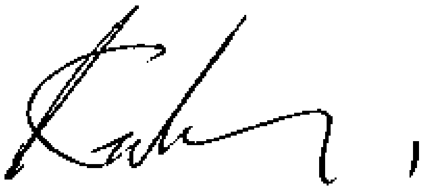
Subsequent to continuous consolidation of our warehouses in Hong Kong and Mainland China, the entire logistics chain of the Group has become more complete. The result has been a marked improvement in logistics costs and delivery.

All these initiatives have the ultimate goal of enhancing customer engagement and loyalty by offering a seamless O2O shopping experience to our customers.

Conclusion – A Time of Promise and Challenge

At this time of promise and challenge for Sa Sa, I would like to offer my deepest thanks to my dedicated Sa Sa colleagues and management team for their highly focused work and support as we continue to realise the Group's sustainable vision and goals. Our long-term competitive advantage is built on the Group's financial strength and rigorous management, which support us in our goal of generating long-term value for our shareholders. There will always be uncertainties and challenges in the environment. However, I hold fast to the view that the Group's outstanding brand recognition in our markets, our readiness to innovate and be agile, our cost management and our forward-thinking vision will propel us towards sustainable growth in the future.

Finally, we take our responsibilities seriously as a good corporate citizen, and in this spirit we aim to consistently serve the societies and communities in which we operate. "From the community, for the community" is the underlying belief that governs all our operations, helping us to move forward and bring abundance to all those whose lives we touch, actively giving back and advancing with the community.



Dr KWOK Siu Ming Simon, *SBS, JP*
Chairman and Chief Executive Officer
Hong Kong, 20 June 2019


SUISSE
PROGRAMME
新升級
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SUISSE
PROGRAMME
-ADVANCED-
CELLULAR
BOOSTING SOLUTION
SOLUTION COUP DE
FOUET CELLULAIRE
活氧細胞生肌昇華露(第3代)
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*40位COSMOPOLITAN讀者連續使用活氧細胞生肌昇華露(第3代)14天，100%認同肌膚明顯較之前健康透亮，97.5%認同肌膚明顯較之前水嫩柔滑

Management Discussion & Analysis

Turnover (Continuing operations)	Turnover in HK & Macau	Net Profit (Continuing operations)
HK$ **8,375.9** million	HK$ **7,091.8** million	HK$ **472.1** million
▲ 4.5%	▲ 4.9%	▲ 1.5%

Consolidated Income Statement for the Year Ended 31 March 2019

	Full year		First half		Second half	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000 Restated	**2019 HK$'000**	2018 HK$'000
Continuing operations						
Turnover	**8,375,900**	8,017,613	**4,147,220**	3,566,983	**4,228,680**	4,450,630
Cost of sales	**(4,958,102)**	(4,643,747)	**(2,478,982)**	(2,052,572)	**(2,479,120)**	(2,591,175)
Gross profit	**3,417,798**	3,373,866	**1,668,238**	1,514,411	**1,749,560**	1,859,455
Other income	**96,062**	93,211	**48,022**	48,072	**48,040**	45,139
Selling and distribution costs	**(2,655,732)**	(2,608,162)	**(1,320,637)**	(1,268,081)	**(1,335,095)**	(1,340,081)
Administrative expenses	**(322,338)**	(315,474)	**(163,741)**	(150,165)	**(158,597)**	(165,309)
Other gains – net	**6,988**	5,392	**2,916**	1,753	**4,072**	3,639
Operating profit	**542,778**	548,833	**234,798**	145,990	**307,980**	402,843
Finance income	**20,670**	11,778	**10,638**	4,978	**10,032**	6,800
Profit before income tax	**563,448**	560,611	**245,436**	150,968	**318,012**	409,643
Income tax expense	**(91,380)**	(95,368)	**(41,269)**	(27,988)	**(50,111)**	(67,380)
Profit for the year from continuing operations	**472,068**	465,243	**204,167**	122,980	**267,901**	342,263
Loss for the year from discontinued operation	**(1,316)**	(25,123)	**(1,306)**	(13,043)	**(10)**	(12,080)
Profit for the year attributable to owners of the Company	**470,752**	440,120	**202,861**	109,937	**267,891**	330,183

During the financial year, the Group's turnover increased by 4.5% from HK$8,017.6 million to HK$8,375.9 million for the continuing operations. Sales of retail and wholesale in Hong Kong and Macau increased by 4.9% to HK$7,091.8 million. The Group's retail outlets for the continuing operations increased from 265 last year to 274 as of 31 March 2019.

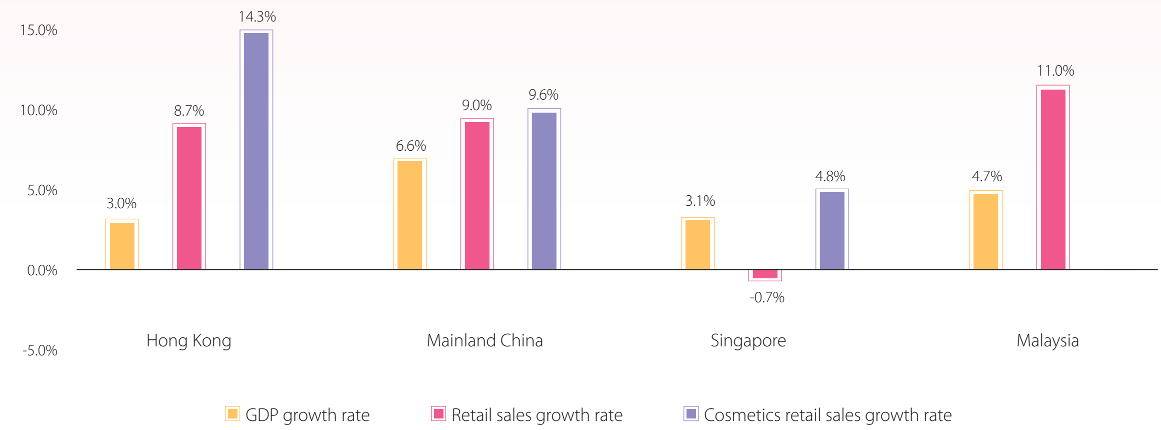
The Group's profit for the year was HK$470.8 million, an increase of 7.0% over the HK$440.1 million achieved in the last financial year. Excluding the loss making retail business in Taiwan, which was discontinued in the last financial year, profit for the year from continuing operations increased by 1.5% to HK$472.1 million. Basic earnings per share were 15.4 HK cents as compared to 14.6 HK cents in the previous year. The board of directors proposed a final dividend of 9.0 HK cents (2018: 11.0* HK cents) per share, payable in cash with a scrip dividend alternative. Together with the interim dividend of 7.0 HK cents (2018: 3.5 HK cents) per share, total annual dividend amounted to 16.0 HK cents (2018: 14.5* HK cents) per share.

The Group has been included in the Hang Seng Composite MidCap Index, FTSE World Index Series and MSCI Index Series. We have been a constituent member of Hang Seng Corporate Sustainability Benchmark Index and Hang Seng High Dividend Yield Index since 2011 and 2015 respectively. The Group is also an eligible stock for Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, and has been included as a constituent of some indexes under Hang Seng Stock Connect Greater Bay Area Index Series since 29 May 2019.

* Excluding the special dividend of 3.0 HK cents per share in commemoration of the 40th anniversary of the Group.

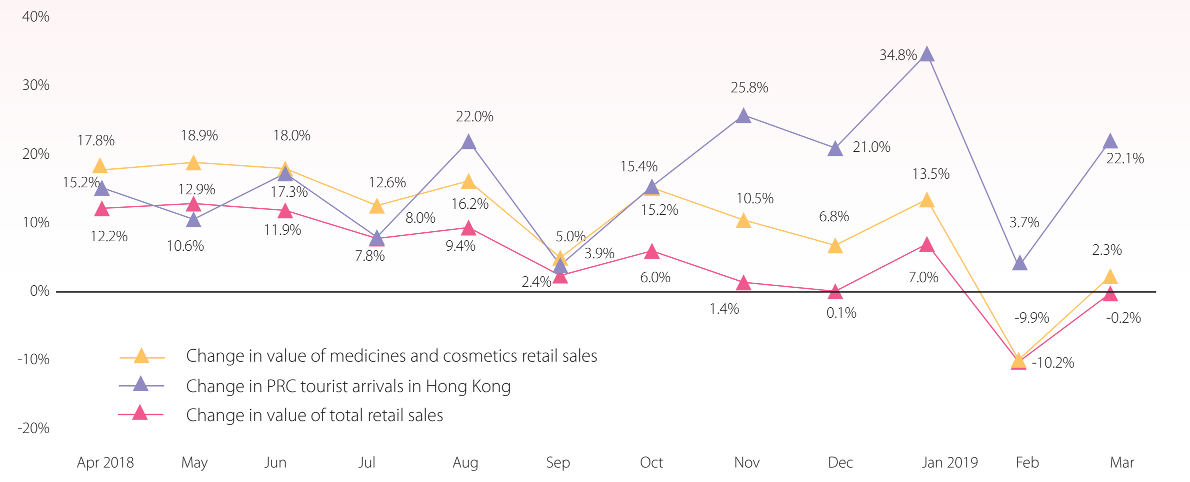
Market Overview

GDP/Retail Sales/Cosmetics Retail Sales in 2018 (year-on-year change)



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

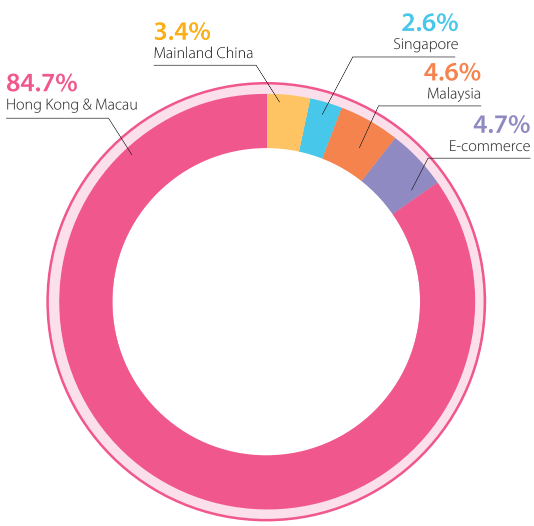
Retail Sales Performance in Hong Kong and PRC Tourist Arrivals in Hong Kong (year-on-year change)



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

Retail and Wholesale Business

FY2018/19 Turnover Mix by Market

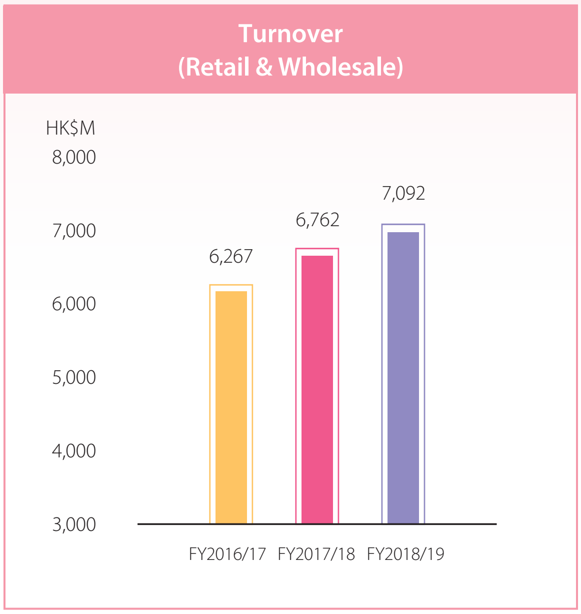


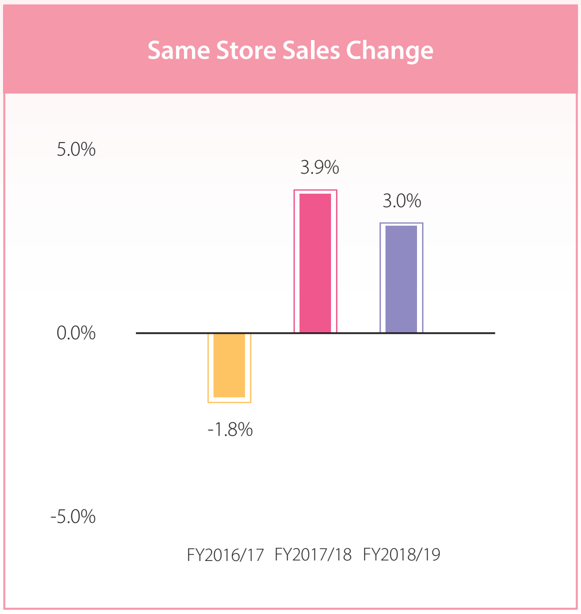
Store Network by Market

Market (Continuing operations)	As of 31 Mar 2018	Opened*	Closed*	As of 31 Mar 2019
Hong Kong & Macau	118	15	15	**118**
Mainland China	55	7	8	**54**
Singapore	20	5	4	**21**
Malaysia	72	10	1	**81**
Total	265	37	28	**274**

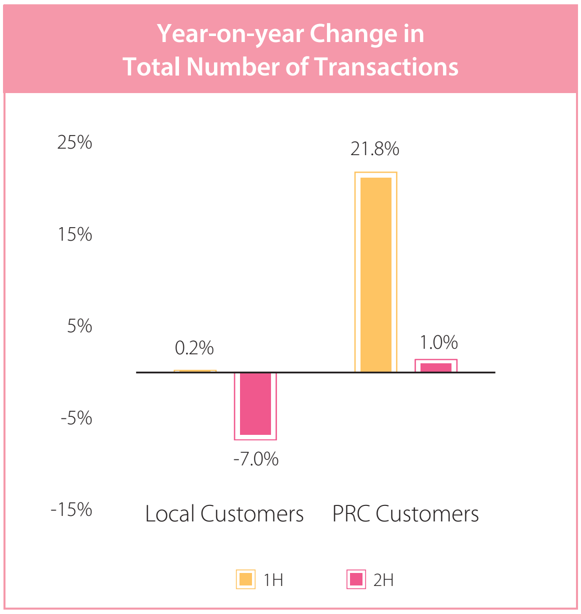
*Note: The number of stores opened and closed within 12 months between 1 April 2018 and 31 March 2019.

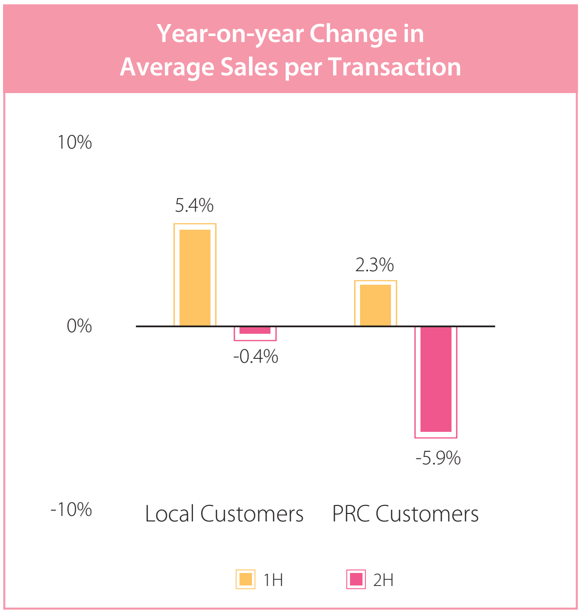
Hong Kong and Macau

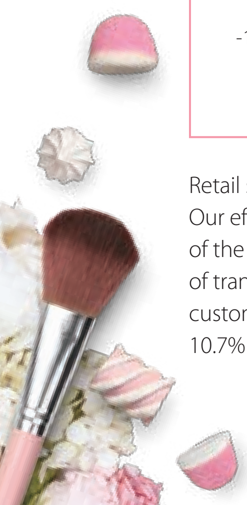




During the financial year, our turnover in Hong Kong and Macau recorded a growth rate of 4.9%, while same store sales increased by 3.0%. Sales grew at a faster pace in the first half while there was a decline in the second half of the year. Reflecting the influx of Mainland tourists, the total number of transactions increased by 3.5% for the full financial year, of which the number of transactions of Mainland tourists grew by 10.5% while that of local customers fell by 3.6%. The average sales per transaction recorded a modest increase of 1.4% for the year. Local customers contributed to the average sales per transaction with an overall increase of 2.1% while that of Mainland tourists declined 2.3%. There was also a decrease in the product quantity sold per transaction for both local customers and Mainland tourists, whereas the value per item sold rose on a year-on-year basis.

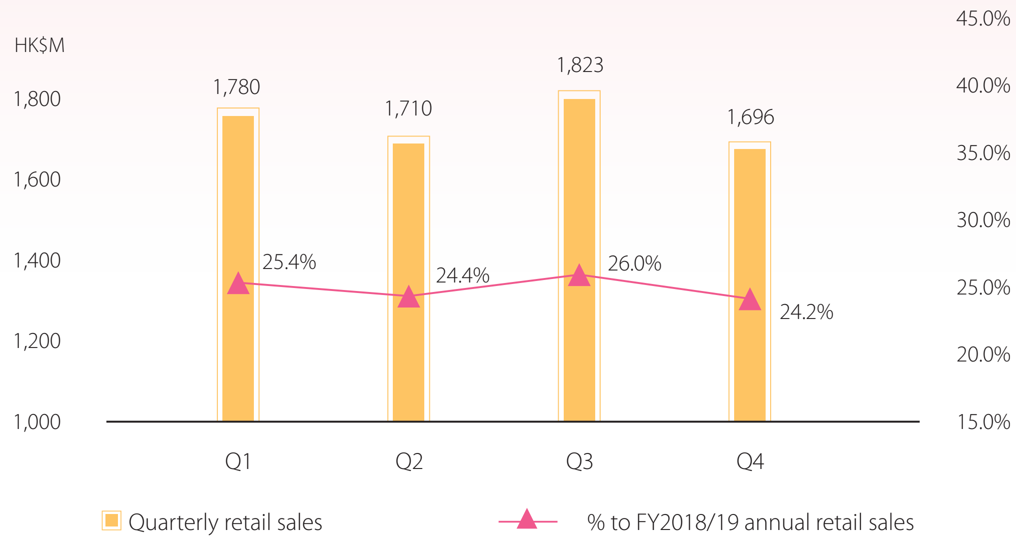






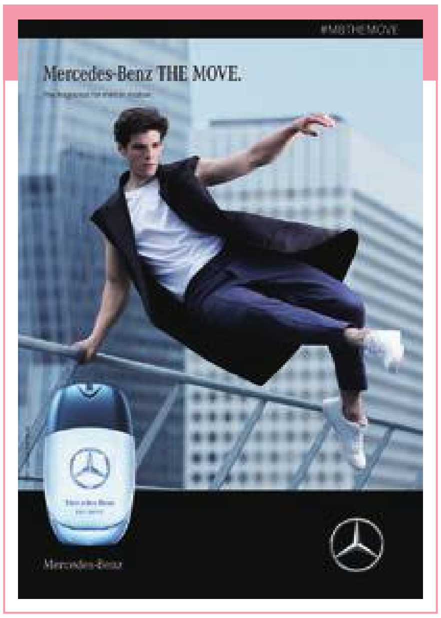
Retail sales increased by 18.5% in the first half of the financial year, with the first quarter recording the strongest growth at 27.9%. Our effective product strategy was the key contributor to the first quarter's steady sales performance. Meanwhile, the development of the Greater Bay Area led to the rapid growth of same-day Mainland tourists to Hong Kong and Macau, boosting the number of transactions from Mainland customers. In addition, the vibrant appeal of trendy products and robust consumption by local customers supported our sales performance in Hong Kong and Macau. The number of transactions in these markets increased by 10.7% in the first half, while the average sales per transaction grew by 7.0%.

FY2018/19 Retail Sales by Quarter

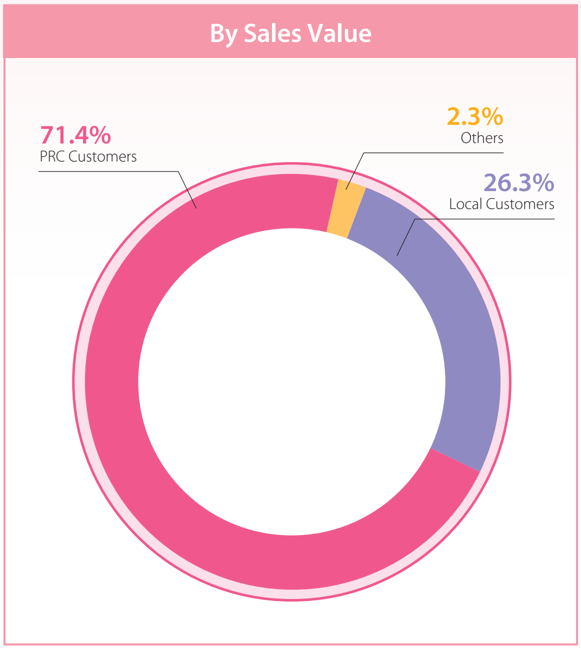


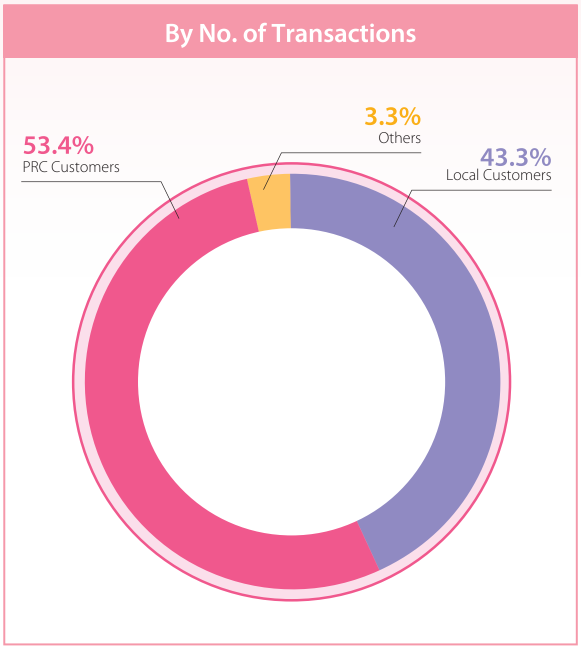
Note: The above data includes the impact of deferred income adjustment on customer loyalty programme

However, retail sales dropped by 5.8% in the second half of the year, while same store sales decreased by 7.3% on a year-on-year basis. Consumer sentiment was affected by Renminbi ("RMB") depreciation due to the Sino-US Trade War as well as a decline in both the stock and property markets, which began in late June 2018. As consumer sentiment turned cautious and consumption patterns changed, consumers reverted to tried and tested products instead of exploring new trendy products. The average sales per transaction decreased by 3.0% in the second half, when a bigger decline of 5.9% in Mainland tourists' spending was recorded alongside a mild decline of 0.4% in local customers' spending.



Customer Mix (FY2018/19 Retail Sales)





The new E-commerce Law passed by the Chinese government in August 2018 came into force at the beginning of 2019. Daigou traders became increasingly cautious from late 2018 onwards and dialled down their activities, including content marketing, which directly affected consumers' interest in trendy products. The success of trendy products in the early part of 2018 created a high base for sales growth. Also, the E-commerce Law combined with the Sino-US Trade War dampened the sales of these products in the second half of the financial year, especially in the first and second quarter of calendar year 2019. Consequently, sales for the full financial year significantly lagged behind those of last year.

During the financial year, a number of pharmacies selling skincare and cosmetic products aggressively opened new stores in tourist hot spots, which intensified competition. The result was that growth in the number of transactions by Mainland customers dropped from 21.8% in the first half to 1.0% in the second half. The number of transactions by local customers also changed from positive growth in the first half to a decline of 7.0% in the second half. Overall, the number of transactions in Hong Kong and Macau markets dropped by 2.8% in the second half.

The increase in tourist arrivals generated by the launch of two mega infrastructure developments in September and October 2018 in Hong Kong did not result in comparable sales growth. According to The Immigration Department of the Government of Hong Kong, the number of Mainland tourist arrivals recorded 20.1% growth from October 2018 to March 2019 on a year-on-year basis, and over 30% growth during the Lunar New Year holiday.

Following the launch of the Hong Kong Section of the Express Railway Link and the Hong Kong-Zhuhai-Macau Bridge, we noted that the high growth in Mainland tourist arrivals did not contribute to greater traffic in our retail stores. The increased influx of Mainland tourists via the Hong Kong-Zhuhai-Macau Bridge, in particular, consisted mainly of sightseeing trippers with limited spending power. So far, these tourists have not stimulated our overall sales in the Hong Kong market. Nevertheless, we believe that the two mega infrastructure projects will eventually drive the economic development of the Greater Bay Area and boost the consumption power of both local customers and tourists. The "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" introduced in February 2019 is one of China's major strategic deployment plans; we therefore will continue to seize the opportunities offered by the region's vast economic potential.

Product Portfolio and Gross Profit

As the Group successfully rode the new wave of trendy products in the first quarter, sales from trendy products in Hong Kong and Macau markets outperformed those of house-brand products. This resulted in a drop in the house-brand mix from 39.8% to 35.8% in the first half. Despite the decline of gross profit margin year-on-year to 39.9%, operating leverage was realised as rental and front-line staff costs to turnover ratios declined. This in turn led to an improvement of 1.8 percentage points in net profit margin in the first half.

The house-brand mix in the second half decreased from 39.9% to 37.3% while the gross profit margin declined from 41.2% to 40.8%. The decline in the house-brand mix was mainly due to weaker sole agent sales, especially for some trendy brands. The gross profit margin for the financial year dropped from 41.7% to 40.4%. Gross profit in the Hong Kong and Macau markets increased by 1.6% to HK$2,862.0 million.

We are adjusting our product portfolio by taking a more balanced approach to product offerings while also becoming more sensitive to product trends when exploring new products across different categories. These efforts aimed at high-end products and other categories are generating improvements.

Operations and Cost Controls

The Group strives to improve sales and is committed to achieving better cost control in human resources, rental and logistics expenses, and other areas while improving its internal process. We also aim at enhancing overall operational efficiencies and competitiveness through big data analysis and adopting flexible business strategies.

In terms of human resources, staff costs represented the largest proportion of shop expenses throughout the financial year. 5.4% of these costs from front-line staff were fixed costs and were adjusted according to the inflation rate. 4.6% of front-line staff costs were variable costs, and changed according to costs of sales and gross profit. Initiatives to adjust the staff incentive system in the second half of the year were not as effective as expected, leading to weaker sales and gross profit performance. Continuous efforts will be made to improve the cost and effectiveness of the Group's incentive system.

Rental costs represented the second largest proportion of the Group's shop expenses. The percentage of shop rental costs to turnover was 11.8%, a decrease of 0.6 percentage point on a year-on-year basis. As of 31 March 2019, the total number of stores in Hong Kong and Macau was 118. In line with effective rental costs control, we renewed the contracts of 38 stores with modest rental growth of 0.5%. In terms of store opening strategy, we opened new stores located in tourist hot spots such as Hong Kong West Kowloon Station, Tsim Sha Tsui, Sheung Shui and Tuen Mun. We also closed underperforming stores in order to optimise the store network.

Logistics were one of the major operational priorities. We relocated various warehouses in Hong Kong to a single base at ATL Logistics Centre in late 2017. The new lease is more expensive than the old leases, but the significant improvement in space utilisation afforded by a consolidated single warehouse location enables us to enhance warehouse automation and operational efficiency. From mid-March 2019, the delivery time to retail stores was further shortened, while the percentage of logistics costs to turnover improved to 2.8%. In order to further control operating costs, in July 2018, we relocated Hong Kong's overflow capacity warehouse to Shenzhen at a lower cost. Through more sophisticated inventory data analysis and more flexible logistics arrangements, we continued to strive to reduce logistics costs while accelerating delivery speed.

Information Technology and Digitalisation

Enhancing information technology and digitalisation is the cornerstone of the Group's future success. The integration of customer databases is therefore key to our future competitiveness. By connecting the customer touch points of three business units, namely physical stores in Hong Kong, Macau and Mainland China and e-commerce business, through the centralised customer database, we aim to continuously serve occasional Mainland customers who have purchased at Hong Kong and Macau stores. This service extends to both the Mainland China's bricks-and-mortar stores and online platforms, converting occasional buyers into long-term loyal customers and creating more sales from the Mainland China market and online channels. The database is also essential for us to provide a seamless online-to-offline ("O2O") shopping experience to customers.

During the financial year, we completed phase one of the integration with all master files of customer data from the three business units, which were uploaded to a centralised customer relationship management ("CRM") system. We also completed the data verification process and is preparing to embark on the second phase of integration work, which includes uploading transaction and new customer data to the consolidated database, and identifying existing customers. This integration will ultimately allow different business units to share the centralised database, ultimately creating synergies to better serve our customers. To achieve the expected goals of the integrated customer database, we must overcome a number of challenges, including the restructuring of business units and assignment of new responsibilities for alignment, changes in work processes, and the design of new departmental key performance indicators. The commission reward system of front-line staff will also be revisited. Such organisational restructuring requires determination, dedication, patience and expertise to make it work.

The Group has collaborated with Taobao Global to create a "New Retail Model" with the integration of online and offline platforms since August 2018. The aim of the model is to leverage Taobao's big data to assist new product sourcing, enabling the fast roll-out of trendy products in both online and offline retail networks. We will continue to explore further opportunities to collaborate with Taobao Global.

In regard to information technology, we are upgrading the in-store Point of Sale ("POS") system. We have assigned certain stores to pilot the use of new mobile devices for checkout in order to shorten waiting time at the cashiers and improve the overall shopping experience. Meanwhile, we are preparing to change our POS system, with the aim of accelerating the processing time of credit cards and other payment solutions, simplifying and automating promotions during checkouts, as well as enabling us to move towards customer self-checkout.

Mainland China

During the financial year, total turnover for the Group's Mainland China operations slightly decreased by 1.9% in local currency to HK$287.8 million, while same store sales in local currency terms dipped by 1.1%.

We continued to optimise our retail network, with seven new stores opened and eight other underperforming stores closed during the financial year. The new stores were mainly clustered within the Greater Bay Area in Zhuhai, Dongguan and Jiangmen, along with a first store in Huizhou. A new store was also opened in Nanjing. As of 31 March 2019, the total number of stores was 54 with a total of 16 shops currently operated in eight Mainland cities in the Greater Bay Area. Since the Wuhan warehouse began operations in November 2018, we registered a steady improvement in logistics costs and delivery time, especially in Central and Western China. As a result, our entire warehouse network became more efficient in terms of costs and distribution.

Owing to the weakness in the sales of house-brand products in the first half of the year, gross profit margin dropped by 2.8 percentage points to 49.0%, leading to the loss for the Mainland China business expanding to HK$15.9 million. We restructured our sourcing team and proactively adjusted our product portfolio in the second half. Sales of own-brand products gradually recovered since the third quarter, driving the overall sales of house-brand products. We also launched new VIP membership activities during the Lunar New Year peak season in order to attract shoppers, and successfully recruited new members to drive sustainable growth. In addition, we proactively improved sales of own-brand products and organised marketing promotion activities to stimulate sales, prompting overall sales and same store sales to rebound in the fourth quarter. Gross profit margin increased to 57.9% in the second half as compared to the previous year, although this failed to fully offset the negative growth in the first half of the year. The loss expanded to HK$16.1 million.

E-commerce

Turnover of the Group's e-commerce business increased by 2.2% to HK$391.8 million, of which Mainland China contributed over 90% of sales in the segment, demonstrating a growth rate of 10.6% over the previous year. Third-party platforms were the key contributor to the sales of this segment, accounting for nearly 60% of sales. The sales from third-party platforms in Mainland China, including Tmall, Kaola, Xiaohongshu and JD.com, grew nearly 70%. While we are fueling our e-commerce growth engine, Sa Sa's own website and mobile app remained important customer touch points for our overall business. Owing to the preparation to install a new Order Management System ("OMS") and e-commerce engine during the year, a weaker performance was recorded with a decline of over 30% in sales.

Turnover in the first half of the year increased by 4.6% as compared to the same period last year, while a slight growth of 0.2% in turnover was recorded in the second half of the year. We began to adjust our product strategies and switched to promote house-brand products in early 2019, and as a result gross profit margin in the fourth quarter rebounded. However, non-recurring expenses of HK$1.7 million, mainly contributed by RMB currency losses, were incurred during the financial year, while overall losses from the segment for the year narrowed to HK$26.5 million. Excluding non-recurring expenses, losses from online operations narrowed from HK$29.6 million in the previous year to HK$24.8 million.

On the logistics front, we began to operate a cross-border e-commerce mailing service beginning in August 2018. As a result, the tax expenses to sales ratio incurred during the financial year increased by 4.7 percentage points to 10.9%. However, the logistics cost to sales ratio was lowered by 4.4 percentage points to 10.9%, owing to the lower shipping costs of this newly adopted delivery channel, with delivery time expected to be further shortened. Benefits also accrued from avoiding stock provision and delivery delays due to detention of goods at Mainland China Customs. Another cost saving effort was the relocation of the warehouse from Zhengzhou to Hangzhou, where e-commerce is clustered to offer price advantage.

Singapore

Turnover for the Singapore market during the financial year was HK$219.3 million, an increase of 4.0% in local currency terms over the previous year, while same store sales decreased by 0.2%. Retail sales increased by 5.6% in the first half, but narrowed to a growth rate of 2.8% in the second half due to a weaker local economy and a decline in sales. Owing to the increase in operating costs and marketing expenses, the loss widened for the year.

We continued to work closely with our suppliers and to diversify our product portfolio by eliminating low productivity SKUs, increasing the sales mix of trendy products and launching new house-brand products. Meanwhile, we strategically implemented marketing and promotional campaigns, some of which were specifically designed for VIP members.

As of 31 March 2019, the Group operated 21 shops in Singapore, including five new stores, with one net opening during the year. To cater for changes in consumption behaviour, the new stores were mainly located in suburban areas to attract customers from the local neighbourhood. During the financial year, we closed four underperforming stores to optimise our operations. We also localised the procurement and marketing departments and stabilised the local management team to improve operational efficiency.

Malaysia

The Group's turnover in Malaysia was HK$385.2 million, an increase of 4.6% in local currency terms, while same store sales grew by 0.7%. Over the past year, our Malaysian business experienced month-to-month fluctuations due to various changes in consumption tax policy implemented by the new Malaysian government. However, we continued to seize business opportunities and achieved an increased profit contribution in this segment.

The Group opened 10 new stores and closed one store, with nine net openings during the financial year, making a total of 81 shops as of 31 March 2019. Our retail network in Malaysia grew the fastest in the financial year.

In addition to opening new stores for turnover contributions, our business strategy of expanding our target customer base to local Malays was a key sales driver. A number of measures were launched to attract Malay customers, including introducing more affordable cosmetics products, adopting a more suitable customer relationship management programme for local Malays, organising regular marketing campaigns, and recruiting local Malay employees.

These measures successfully extended our penetration into the local Malay market. Although a decline in the proportion of sales from local Chinese customers was reported, their spending per transaction increased. We will continue our proven business strategy to attract both domestic Chinese and Malay customers. In addition, we established online elements in Malaysia in order to create synergies with the Group's offline business.

Outlook and Strategies

Industry Growth and Greater Bay Area Opportunities

The Group is currently facing a number of significant challenges and uncertainties. The US raised tariffs on US$200 billion worth of Chinese imports in early May 2019, escalating trade tensions between the US and China. The threat of deadlocked Sino-US trade talks weighs on the global economy. The Hong Kong Retail Management Association ("HKRMA") expects the overall growth rate in sales will decelerate further and maintains its forecast of low single-digit growth for 2019 as a whole.

On a more positive note, in February 2019, the Central Government announced the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area", which emphasised the further deepening of cooperation between Guangdong, Hong Kong and Macau. The objectives of the development of the Greater Bay Area are to create synergies and drive economic development as well as to leverage the complementary advantages of the three regions.

The Greater Bay Area has a population of over 70 million and a total economic output of US$1.5 trillion. This economic ecosystem encompasses major airports and ports in the Greater Pearl River Delta, which is one of the most economically dynamic and densely populated regions in China. As the international financial centre of the Greater Bay Area, Hong Kong, with its improving transport links to the rest of the Greater Bay Area, will benefit from the increased flow of people to and from Mainland China. This will support both the city's economic development and the local retail market. As the "2018 China Outbound Tourist Big Data Report" by China Tourism Academy and Ctrip reveals, Hong Kong is ranked first amongst the top 10 most popular shopping destinations for Mainland tourists in 2018, and continues to be the most preferred outbound travel shopping destination for Mainland residents.

Embracing the New Retail Era

"New Retail" is a phrase first coined by Alibaba Chairman Jack Ma in 2016. The core of new retail is the combination of online and offline; the combination of people, goods and warehouses; and the combination of virtual and reality.

According to the Hong Kong Government's "2019-20 Budget", which highlighted innovation and technology development, Hong Kong will focus on the development of four major areas – biotechnology, financial technology, smart city and artificial intelligence – to build Hong Kong into a genuine smart city. Specific measures include data opening, accelerating the fifth-generation mobile (5G) spectrum auction, and Faster Payment System (FPS) for mobile payments. Such innovations will allow the local retail industry to have its fingers on the global pulse.

The development of "New Retail" has become a major new trend and is set to create growing business opportunities. Based on the "customer-centric" principle, we aim to understand customers better and to interact more closely with them, moving towards the long-term goal of providing a seamless O2O shopping experience to our customers.

To achieve these targets, we have integrated all three individual customer databases from our retail stores in Hong Kong, Macau and Mainland China, as well as our e-commerce business, and uploaded them onto a single centralised cloud database. Currently, the first phase of the master file of customer data uploading work has been completed. The next step will involve enriching the data to identify customers across multiple customer touch points and uploading transaction data. The aim is to use this extensive customer database for cross-selling and enhancement of customer loyalty.

A new POS system is expected to launch in Hong Kong stores by the end of the financial year ending March 2020. When combined with other developments in the pipeline, the new POS system has the capability to enhance both the physical store and online shopping experience.

In the long run, we aim to enhance the combined strength of Sa Sa's extensive physical store network in Hong Kong, Macau and Mainland China and our professional beauty consultant team while diligently managing our online operations. This strategy will free customers from geographical and time constraints, and create a "customer-centric" new retail service model to upgrade the overall shopping experience.

Hong Kong and Macau

As mentioned above, the retail market is full of challenges. This is especially so in 2019 given the high base effect in the first half of the year and the potential impact of an on-going and possibly escalating Sino-US Trade War. However, we are cautiously optimistic that the opportunities offered by the Greater Bay Area will bear fruit in the medium to long term. We are determined to improve our competitiveness in different areas to navigate the various market headwinds.

In regard to retail stores, we will take into account evolving demographics, changes in visitors via different entry points and the competitive landscape. Stores will be opened in target areas to fill gaps and to improve catchment in others while capturing reasonable rental opportunities where possible. This will strengthen the overall network competitiveness at a manageable overall rental cost.

Product portfolio improvement is another key to success. We will continue to leverage on and further build our long-standing network and relationship with suppliers, using big data to continuously manage our product portfolio. In view of the strong growth of European, US and high-end brands across the industry, we began to rebalance our high-end product portfolio at the end of the fourth quarter. It is expected that traffic and our premium-heavy own-brand mix will benefit from linked sales as a result. We endeavour to introduce new and trendy products with high sales volume to boost store traffic and better adapt to changing consumer preferences. In April 2019, our retail store at Kowloon Hotel debuted the Seagrape Deep Hydrating Water Gel Mask of FAN BEAUTY, a beauty label created by renowned Chinese artist Fan Bingbing (范冰冰). The store was the first physical cosmetic store to launch this new product globally. This innovative product has enriched our product portfolio and attracted increased traffic to our stores. Consumers are especially drawn by the charisma of celebrity and the appeal of the product's features, which are driving sales performance. We will adopt a proactive approach to explore other new products with similar potential in order to attract more customers and further build sales momentum.

We will also further explore the use of digital solutions to study, analyse and predict customer preferences, thereby enabling faster introduction of new products. Continuous efforts will be made to eliminate low productivity SKUs with the aim of dedicating more shelf space to products with high productivity. Overall productivity will be enhanced while the risk of product obsolescence and expiry will be reduced.

As the growing influence of social media is highly impactful, particularly for new product launches and sales, we will invest more resources in social media, digital marketing and targeted promotions to attract young consumers who have higher consumption power. Following the launch of the new store image in the middle of 2018, we are improving product display, aiming at attracting customers' attention and shop traffic as well as enhancing overall sales. In the area of logistics, continuous warehouse automation will help alleviate the reliance on manpower, enhance daily handling capacity, shorten delivery time and improve overall operational efficiency.

Mainland China

The external environment is still volatile; and the recent escalation in the Sino-US Trade War since early May is undoubtedly weighing on China's economy. Nevertheless, the Chinese government has introduced a number of measures to maintain economic stability, along with other in-depth measures to promote the development of the Greater Bay Area. As one of China's long-term strategic deployment plans, the Greater Bay Area remains one of the Group's key development regions. We will continue to capture the opportunities generated by the further integration of the area.

We will also closely monitor the market, and continue to expand our business with caution in areas with high strategic value and advantages, all with the aim of improving competitiveness, operational efficiency and store contribution.

In order to attract greater traffic in Mainland retail stores, we will continue to place more emphasis on improving our product portfolio, working closely with local suppliers to introduce more popular brands and hero products to address customers' needs. We will also strive to improve the commission system for front-line staff, enhancing their morale while effectively improving overall sales and gross profit margin.

We are well aware of the importance of customer engagement and understanding the shift in consumer preferences in this highly "customer-centric" era. With this in mind, we have launched a brand new customer relationship management programme, which is expected to create synergies with our centralised customer database in the long run. By launching more promotional offers in the programme, we hope to foster repeat purchases by existing members at Sa Sa stores and to absorb more new customers. These customer loyalty activities will enable us to retrieve more customer data for business analysis, laying a solid foundation for creating a seamless O2O shopping experience through customer database integration.

E-commerce

Given the change in the shopping patterns of netizens in Mainland China and the strong growth of third-party platforms, we will further explore new opportunities and partnerships with third-party e-commerce platforms. We will capitalise on their customer base, support services and diversified promotions to attract new customers and expand brand exposure in a cost effective manner. We began operating an online store on HKTVmall in Hong Kong at the beginning of 2019, and collaboration with other third-party platforms is under consideration.

The development of the Group's own online channels will continue to be a targeted investment focus. We regard our own website as one of multiple touch points for our customers. The new e-commerce engine is targeted to be in place by the end of calendar year 2020, which the functions of our website will be taken to a new level. More emphasis will be placed on enhancing the customer loyalty of both our own online customers and physical store customers in Hong Kong, Macau and Mainland China.

In addition, we plan to launch a WeChat mini-programme during the financial year of 2020, providing data to the Group that will enable effective identification of customers, and also facilitate cooperation with renowned platforms, especially content-based social platforms. This will allow us to maintain interaction and sales with Mainland customers from our Hong Kong and Macau stores and support customer retention through online and physical store presence in Mainland China.

An efficient warehouse network is the backbone supporting the Group's future O2O shopping experience and new retail model. Measures for optimising the overall efficiency of the warehouses include the introduction of a new OMS, which will enhance daily handling capacity and flexibility while increasing the transparency of inventory. The e-commerce warehouse in Hong Kong was relocated to ATL Logistics Centre in April 2019 in order to share the same warehousing space with our Hong Kong and Macau business, and thereby enhance overall cost-effectiveness.

In terms of product portfolio, we will accelerate launches of new products and introduce more house brands to optimise the product mix. Gross margin performance and the overall competitiveness of the Group's e-commerce business will be enhanced.

Singapore

The Ministry of Trade and Industry Singapore maintained its GDP growth forecast for 2019 in the range of 1.5%-2.5%. Growth is expected to come in slightly below the mid-point of the forecast range due to the threat of a sharper-than-expected China slowdown, worsening of the trade conflict with the United States and the uncertainties caused by Brexit.

The Group opened five new stores in the financial year, and the focus of the coming year will be on improving the same store sales of these new stores. Another development focus will be on adjusting the product mix. We will maintain close ties with our suppliers and continue to introduce popular new products, improve store display, and engage in attractive marketing activities especially in shopping malls where we do not yet operate. All these measures are aimed at increasing the exposure of Sa Sa and its product brands, while acquiring new customers.

Since online shopping is becoming increasingly popular, in May 2019 we soft launched a new mobile app in Singapore to enhance customer loyalty and boost repeat sales. To maximise the effectiveness of this mobile app, we plan to implement a new "Click-and-Collect" service. Customers can purchase products at Sa Sa's Singaporean website or mobile app, with the option of picking up the goods at the physical stores. This service matches the busy lifestyle of modern urbanites, and will improve both online and offline shopping experience of customers, thereby strengthening Sa Sa's core competitiveness.

Malaysia

Retail Group Malaysia raised its 2019 growth forecast for the local retail sector to 4.5%. The government has imposed more taxes, which has led to a slowdown in business expansion, and high operating costs have also hit SMEs. However, the Malaysian government will continue to distribute one-off monetary incentives to Malaysians, and the establishment of the minimum wage will also lessen citizens' financial burden and stimulate local consumption sentiment.

Following the initial results of last year's strategy of extending the target customer base from local Chinese to Malays, we will continue to move in this direction in the coming year. We aim to build a more diversified product portfolio based on the Malay segment's attraction to make-up products. Malays will also be appointed as brand or product spokespersons to further penetrate this new customer segment and explore fresh revenue streams for the Group.

Sa Sa is the biggest beauty specialty store in Malaysia. In order to stay abreast of the trend of online shopping, a local mobile app will be launched in the first half of 2019 to enable the Group to interact more closely with customers and strengthen customer loyalty. We will also launch a "Click-and-Collect" service to provide a more convenient and pleasant shopping experience, with the aim of increasing the number of repeat transactions of customers and further boosting our leading share in this market.

Human Resources

As at 31 March 2019, the Group had around 4,700 employees. The Group's staff costs for the year under review were HK$1,170.7 million. Details on our human resources programmes, 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 2019.

Financial Review

Capital Resources and Liquidity

As at 31 March 2019, the Group's total equity funds amounted to HK$2,486.6 million including reserves of HK$2,177.0 million. The Group continued to maintain a strong financial position with cash and bank balances of HK$1,140.6 million. The Group's working capital amounted to HK$2,024.8 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 2019 were HK$2,486.6 million, representing a 0.2% increase over the funds employed of HK$2,482.8 million as at 31 March 2018.

The gearing ratio, defined as the ratio of total borrowings to total equity, was zero as at 31 March 2019 and 31 March 2018.

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 2019, 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 2019.

Capital Commitments

As at 31 March 2019, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK$39.8 million.

Conclusion

The retail market in 2019 is both challenging and uncertain. Some of these challenges are due to external factors while others derive from the need to adapt to a changing operating and competitive environment.

In the medium to long term, there are many market opportunities that are beneficial to the local retail industry, these include the completion of the mega infrastructure projects within the Greater Bay Area, and the implementation of favourable policies benefiting talents, information, capital and trade flows enacted by the Central Government.

We are committed to embracing the era of New Retail, and to becoming increasingly "customer-centric" for our future development. The process of integrating the customer database of both our physical stores in Hong Kong, Macau and Mainland China with that of our e-commerce business is well underway. We will use this integrated customer database in coordination with physical stores in Hong Kong, Macau and Mainland China as well as our online presence to provide multiple touch point services to customers. By using big data for business and product analysis, we continue to formulate strategies to cater to the changing patterns in consumer behaviour, preferences and expectations. Capitalising on our physical store network, professional beauty consultant team, maturing nation-wide logistics capabilities and e-commerce online stores, we are set to provide a seamless O2O shopping experience for our customers.

The efficiency and flexibility of Sa Sa's management team will help the Group to ride the wave of the future in terms of new products, new media, and online and offline big data analytics. Such detailed strategies and forward-looking insights will continue to support our position as a leading cosmetics retailing group in Asia. As ever, the resourcefulness and agility of our loyal staff and the long-term vision of our dedicated management team will ensure that Sa Sa continues to deliver sustainable growth for many years to come.

Biographical Information of Directors and Senior Management

"I would like to offer my deepest thanks to my dedicated Sa Sa colleagues and management team for their highly focused work and support as we continue to realise the Group's sustainable vision and goals."

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

Dr KWOK LAW Kwai Chun Eleanor, *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 41 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 currently 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 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, and the Honorary Life President of the Hong Kong Brands Protection Alliance and the Adviser of Quality Tourism Services Association (Dec 2017 – Dec 2019), a member of Quality Tourism Services Committee and the Chairman of Quality Tourism Services Sub-Committee of Hong Kong Tourism Board (2016 – 2019), a council member of China Overseas Friendship Association, a Deputy Director of Economic Affairs Committee and a member of Friends of Hong Kong Association Limited. 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 named "Business Person of the Year" at the DHL/SCMP Hong Kong Business Awards 2018. He also received the "Best IR by Chairman/CEO" (small-cap category) from Hong Kong Investor Relations Association for fourth consecutive years from 2016 to 2019 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, 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 2016-19) of the Community Chest of Hong Kong as well as Campaign Committee Chairman (2011-14 and 2016-19), a member of the Board of Directors (2009-15 and 2016-19) and Vice Patron (since 2015). Dr Kwok is also a Vice-chairman of the Second & Third Board of Hongkong Kowloon Charitable Foundation Association Limited (2014-19), a Committee Member of Heifer International (since 2009), a Board Member of Concerted Efforts Resource Centre (since 2009), an Executive Board Member of the Hong Kong AIDS Foundation (since 2006), and an Honorary Advisor and member (since 2006) of The Hong Kong Committee for the China AIDS Initiative.

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 66 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 awarded the "Women of Hope 2019 Entrepreneur Award" by Hong Kong Adventist Hospital Foundation in 2019. She was honoured the "Excellent Businesswomen" 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. Dr Kwok 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 in 2005. 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 (since 2009), 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 (2015-2018) and was a patron of Caritas Fund Raising Campaign (since 2006). Dr Kwok was also the Adviser (Apr 2017 – Mar 2018), Chairman (Apr 2016 – Mar 2017), the Vice-chairman (Apr 2012 – Mar 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 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 65 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 Education & Training Sub-Committee and the Chairman of the e-Commerce Sub-Committee of the Hong Kong Retail Management Association, a member of the CNBC Global CFO Council 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 62 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. She is 59 years old.

Independent Non-executive Directors

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

Appointed as an independent non-executive director of the Company in June 2004. Ms Tam is the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee of the Company. She 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. Ms Tam resigned as an independent non-executive director of Guangnan (Holdings) Limited 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. The shares of all of the above companies 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 currently 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, an 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 73 years old.

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

Appointed as an independent non-executive director of the Company in December 2006. Ms Ki is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. She is currently an non-executive director of New World Development Company Limited and an independent non-executive director of Clear Media Limited, both being listed companies in Hong Kong. She 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 and Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region. She also has been appointed as a member of the 12th Chinese People's Political Consultative Conference (CPPCC) National Committee in 2013 and a member of the 10th, 11th & 12th CPPCC Yunnan Provincial Committee. She is 72 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 currently an independent director and Chairman of the Audit Committee of ReneSola Ltd whose shares are listed on the New York Stock Exchange, an independent non-executive director and Chairman of the Audit Committee of Xtep International Holdings Limited, Sinopharm Group Co. Ltd. and CIFI Holdings (Group) Co. Ltd., an independent non-executive director and Chairman of the Remuneration Committee of Health and Happiness (H&H) International Holdings Limited and an independent non-executive director, Chairman of the Audit Committee and Remuneration Committee of Shineroad International Holdings Limited, all the shares of which are listed on the Main Board of the Stock Exchange. Mr Tan 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 63 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 34 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 63 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 49 years old.

Mr YUNG Leung Wai Tony Senior Vice President, eCommerce

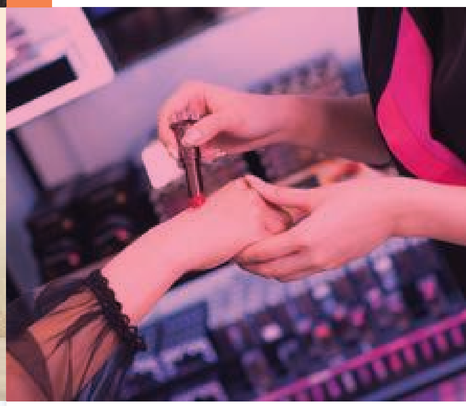
Joined Sa Sa as Senior Vice President eCommerce in June 2016. Mr Yung oversees the overall management and development of the e-commerce business. He has over 26 years of experiences in consumer finance, private banking, retail marketing, brand management and development of regional business strategies. Before joining the Group, he has worked in various international companies, including American International Group, American Express, American International Assurance Company and 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 56 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 53 years old.

Environmental, Social and Governance Report

Our Journey Towards Sustainable Beauty



"True beauty concerns our whole being, inside and out. It does not come merely from our appearances, but emanates from our inner selves. Beauty appeals to our sense of aesthetics, yet it shines from the values we hold.

Sa Sa's mission has always been to empower its customers with the essence of beauty, inspiring them to make life itself beautiful.

For years, Sa Sa has been providing cosmetic products to customers of different ages, skin types and spending preferences. Our commitment to bringing beauty to our customers is deeply rooted in our company ethos, and evident across our efforts: from our initial focus on "beautiful yet economical", to the diverse product portfolio covering mass-market, premium and trendy brands we offer today.

We believe that, to pursue beauty in its fullest sense, we must also share it with our employees, our environment and our community; and so, making life beautiful is, for us at Sa Sa, both a passion and a responsibility."

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

Dr KWOK LAW Kwai Chun Eleanor, *BBS, JP*
Vice-chairman

Our Purpose: Making Life Beautiful

Making life beautiful for our customers is Sa Sa's purpose. From our humble beginning as a 40-square-foot family-run cosmetics store, to now being a leading retail group in Asia, this purpose has guided the sustainable development of our business. At Sa Sa, we firmly believe that to ensure the long-term success of our business, we must share our purpose with society – *making life beautiful* for our employees, our environment, and our community.

Personal and attentive service to every customer

Over the past ten years of Sa Sa's journey towards sustainable beauty, our efforts in caring for the community and the environment have been widely recognised. However, we are aware that we are only at the beginning of our journey, with much room for improvement.

We understand that driving sustainable development requires a holistic approach. We have therefore renewed our governance structure this year, establishing a new Sustainability Steering Committee with a view to integrating our purpose of *making life beautiful* into more aspects of our operations. The Committee, chaired by Mrs Melody Kwok-Chan, Vice President, Corporate Strategy and Development, is directly accountable to the Board of Directors and supported by a number of working groups championed by selected department heads, which is a big step forward from our former governance structure.

Making life beautiful articulates our steadfast pursuit of bringing beauty to different stakeholders, while enabling the sustainable development of Sa Sa's business. We look forward to working with our many partners and stakeholders to bring the following aspects of a beautiful life to society.

Making Life Beautiful for People: Fulfilling Careers, Quality Experiences

Our goal is for everyone, be it our customers or our employees, to realise the aspiration of *making life beautiful* at Sa Sa. It has always been Sa Sa's core business aspiration to provide our customers with a diverse range of quality cosmetics, so that they can pursue their own aspirations in beauty. Achieving this goal requires each and every member of our staff to work together to provide the best possible services to our customers, maintain the high quality of our products, and respond to the evolving needs of our customers.

Trends and Challenges:

- Keen Competition for Talents: Given both competition for new talent and the changing career expectations of young professionals, staff turnover is a challenge faced by all businesses in the retail sector, including Sa Sa.
- Changing Retail Landscape: The rise of e-commerce and digitalisation are disrupting traditional retail businesses, bringing new opportunities but also new forms of competition. Today's customers not only focus on the range and quality of products, but have increasingly high expectations of their experience as consumers.
- Ageing Population: The population of those who are 65 or above in Hong Kong is forecast to double, from 12% in 2011 to 24% in 2031; in other words, in roughly ten years from now, one in four residents in Hong Kong will be aged 65 or above. [1]
- More Discerning Consumers: Consumers are more conscious of healthy and sustainable lifestyles, and increasingly factoring these concerns into their purchasing decisions.

Our Commitments in Response:

- Invest in the training and development of our talents, equipping them with the skills to manage the ever-changing needs and expectations of our customers.
- Review the compensation and benefits of our employees regularly, providing the right rewards in the form of discretionary bonuses, sales incentives and commissions, and opportunities to become a shareholder.
- Maintain the high quality of our products by implementing strict quality control.
- Keep our finger on the pulse of the market, providing up-to-date and diverse products to meet the needs of customers of all ages and backgrounds.
- Promote the digitalisation of our retail business by encouraging our employees to leverage social media and digital channels to enhance customer experience. We will also explore new channels for online sales.

Our Progress This Year:

- Established a working group for talent development under the stewardship of our new Sustainability Steering Committee, responsible for looking into the root causes of turnover and exploring strategies to improve employee wellbeing.
- Applied to register our Beauty Consultant Training Programme under the Government's Qualifications Framework, allowing our employees to acquire a formal (QF-recognised) professional qualification upon completion of the training programme.
- Pledged to ensure the safety and quality standards of around 18,000 stock keeping units (SKUs) that we currently house. We achieved zero cases of product recall this year.
- Were named the most sought-after brand amongst tourists in the Hong Kong Service Awards 2019[2], recognising the quality of our customer service.
- Explored how technological advances, including Big Data, the Internet of Things and emerging retail management platforms, might enhance our customers' experience.

1 Hong Kong Population Projections 2017-2066, Census and Statistics Department of HKSAR.
2 Organised by East Week, the award scheme aims to recognise businesses and brands that offer high quality products and services through public voting.

Our Journey towards Sustainable Beauty

Preserving the Beauty of the Planet

As a forerunner in cosmetic retailing, we realise that our daily operations bring about adverse impacts on the environment, whether directly or indirectly. Environmental protection is therefore one of the key factors governing our decision-making. We are committed to implementing measures to protect the environment, throughout our product value chains and operations. These measures include conserving energy and water, as well as reducing waste and greenhouse gas emissions, in line with the principle of sustainable development.

Trends and Challenges:

- Rising Environmental Concern among the Public: Awareness of environmental issues is rising amid aggravating environmental challenges, and with it, expectations of businesses to manage their impacts responsibly.
- Build-up of Plastic Waste: In Hong Kong, 2,000 tonnes of plastic waste ends up in the city's landfills every day. As these landfills are approaching full capacity, the Government will implement the municipal solid waste (MSW) charging scheme to incentivise businesses and the public to reduce waste.
- Growing Threat of Global Warming: According to the Special Report on Global Warming of 1.5°C, the recently published report by the United Nations' Intergovernmental Panel on Climate Change (IPCC), the rate of global warming in the past five years (2014-2018) reached a historical high. It is imperative that the international community makes considerable efforts to address this.

Our Commitments in Response:

- Play our part in mitigating the climate crisis, as a member of the global village.
- Look for ways to reduce our carbon footprints, from the refurbishment of old stores to the design of new shops.
- Endeavour to reduce the waste we generate, and reuse and recycle what we can.
- Promote environmental awareness among our employees and build a culture of conservation.

Our progress this year:

- Enhanced employee engagement in environmental issues, through events including:
  - Green Lunch – We rallied 300 employees to attend four seminars to learn about issues concerning wastes and plastic pollution while enjoying delicious vegetarian lunch and learning about eco-friendly products.
  - Green Christmas – We held a disposable utensil-free Christmas Party, where 90% of guests responded to our call by bringing their own reusable utensils with them.
- Worked towards a zero-waste aspiration at our logistics centre: all cardboards, stretch film and pallets at the logistics centre were processed for recycling.
- Honoured our 2016 pledge by successfully banning plastic microbeads in all exfoliating and cleansing products sold at Sa Sa by the end of 2018.

Beautifying the Community

The success of our business is closely linked to the success of the communities in which we operate, as they provide the markets, resources and infrastructure that support our business to thrive. Empowering these communities to make life beautiful is our responsibility and a value long embraced by Sa Sa. We support the development of communities throughout our business operations, tapping into the resources we have, as well as engaging the talents of our people and the expertise of our community partners.

Trends and Challenges:

- Widening Poverty Gap: One in seven Hong Kong residents are living under the poverty line, a record high.[1]
- Ageing Population, with More Elderly Living in Poverty: In the past nine years, the share of households with elderly has been on the rise; and in 2017, around 30% of elderly were living under the poverty line.[1]
- Gender Equality: Promoting equal opportunities and rights for women and girls is part of the United Nation's Sustainable Development Goals (SDG 5).

Our Commitments in Response:

- Establish partnerships with community organisations to collaboratively respond to local needs.
- Give back to communities through engaging our talents and resources to help those in need.

Our Progress This Year:

- Partnered with Po Leung Kuk, a multi-faceted charity service provider, to launch the Sa Sa Eternal Beauty charitable programme, which promotes inter-generational communication and collaboration. Young people and senior citizens were recruited as inter-generational ambassadors in the programme's first initiative: a short-film production competition.
- 500 employees devoted a total of 738 hours to serving the community, with a focus on caring for underprivileged families and elderly, as well as women's empowerment.
- Sa Sa Making Life Beautiful Charity Fund donated HK$4.95 million in 2018/19 towards, among others, building community development, inter-generational understanding and empowering women.

1 Hong Kong Poverty Situation Report 2017, Census and Statistics Department of HKSAR.

A New Chapter in Our Journey

Looking Back on Our Steps So Far

2010
- Set up guidelines for installing LED light bulbs in all of our new stores and existing stores under refurbishment.

2011
- Became a constituent of Hang Seng Corporate Sustainability Benchmark Index for the first time.
- Published our first Environmental, Social and Governance (ESG) Report.
- Founded the Staff Recreation Club.

2013
- Founded the Sa Sa Making Life Beautiful Charity Fund and Sa Sa Sincere volunteer team.
- Established the ESG Taskforce.

2015
- Started to apply for the Recognition of Prior Learning (RPL) qualification to certify our training under the Government's Qualifications Framework. To date, 320 of our employees have acquired qualifications levels 2 to 4.
- Earned the recognition for being in our 10+ years as a Caring Company.
- Pledged to spend the levy collected from the Plastic Shopping Bag Charging Scheme (fully implemented in Hong Kong that year) on environmental related causes.

2016
- Organised the Glocal Greenovation Challenge, a competition focusing on finding innovative solutions for environmental protection with funds collected from the Plastic Shopping Bag Charging Scheme. The 3-day event was a cross-sector collaboration supported by the Environment Bureau, and organisations from the business, academic and nonprofit sectors.
- Received the "Sustainability Excellence Awards" and the "Hong Kong Corporate Governance Excellence Awards 2016" jointly organised by The Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance and Financial Policy of Hong Kong Baptist University.

2017
- Staged the Sa Sa Charity Concert, helping Po Leung Kuk to raise HK$2 million through donations from attendees, matching these donations dollar for dollar ourselves.

2018
- Banned plastic microbeads in all exfoliating and cleansing products sold at Sa Sa.
- Held our place in Hang Seng Corporate Sustainability Benchmark Index for the eighth consecutive year.
- Our 2017/18 ESG Report received a Hong Kong Management Association Best Annual Reports Awards – Citation for ESG Disclosure.

2019
- Upgraded our ESG Taskforce into a new Sustainability Steering Committee to strengthen the Group's commitment to sustainability and refine our direction.

A New Direction for Sustainable Development at Sa Sa

We are aware that expectations of the role of business in today's society are changing. Global trends, such as digitalisation and global warming, are coinciding with local challenges, such as escalating amount of waste, more extreme temperature and more frequent extreme weather events including typhoon and flooding. Together, these are radically affecting the approaches and perceptions of all players, including consumers, employees, investors and regulators, as well as civil society and non-profit organisations.

To keep ahead of the curve and grasp new opportunities, while embracing inevitable challenges, Sa Sa must tactically examine its progress to date, its position now, and its strategy for the future. It must also enhance its governance efficiency, increasing its agility in readiness for the next stage of its journey for beauty.

Sa Sa made significant progress this year, particularly through a series of sustainable development workshops where the Board of Directors discussed and analysed the relevant social, environmental and commercial trends shaping our future business landscape, and reviewed the company's strategy and direction accordingly.

The Board concluded that the most pressing issue was the setting up of a proper governance structure that could provide leadership and clear directions to enable mid- and longer-term planning for sustainable development. The answer was to create a new Sustainability Steering Committee, which will preside over mid- and long-term planning and execution.

Introducing the New Sustainability Governance Structure

Board of Directors

The Board of Directors continue to assume overall responsibility for ESG strategy and reporting.

Sustainability Steering Committee (SSC)

The SSC supports, and is directly accountable to the Board of Directors. It is responsible for formulating and developing strategies and goals for the Board's endorsement, monitoring the progress of implementation by the working groups, and reporting to the Board regularly to enable it to discharge its oversight responsibility.

Working Groups

- Talent Development Working Group
- Operations Working Group
- Product Design Working Group

Each championed by a selected department head, and is charged with execution responsibilities and reports to the SSC.

The SSC is chaired by Mrs Melody Kwok-Chan, Vice President for Corporate Strategy and Development. Members of the Committee include heads of department from training and people development, human resources, sales operations, marketing, legal and company secretarial, and administration. In consultation with the Executive Committee, work is in progress developing plans for prioritised issues, including waste management, electricity consumption, single-use plastic, product packaging, and talent development.

We believe that in order to integrate the concept of sustainable development into our business operations and pursue our objectives, each and every member of our staff has to pull their weight for sustainability in their daily work. The SSC has therefore included those responsible for talent management and development in the hope of enhancing employee participation to create a sustainable – and beautiful – future together.

"Sa Sa is establishing itself as a forerunner in Hong Kong's cosmetic retail sector by embracing the opportunities that sustainable development brings. Not only will we become more systematic in promoting sustainable development, but in doing so we can set an example for other businesses to follow."

Mrs Melody Kwok-Chan
Chairman of Sustainability Steering Committee

Incorporate Sustainability in Sa Sa's Risk Management Framework

We plan to link our assessment of ESG risks to our existing enterprise risk management framework (for details please refer to the Enterprise Risk Management Report in (pages 135 to 143)), integrating the company's sustainable development with that of its communities. This will also enable us to conduct risk management in a more systematic and comprehensive manner, developing and overseeing short, mid, and long-term objectives in response to the expectations of different stakeholders.

Making Life Beautiful for People

Management Trainees from Class of 2018

Frontline Service from the Heart

"Whereas other competitors are concerned with the hardware, we are more attentive to the software of Sa Sa: our staff and our service. We advocate the belief that if we put our heart into every aspect of our job, and success will follow. If all our staff are fully invested in their jobs, customers will feel their passion and be drawn to us."

Our Aspirations

Beauty begins within each one of us. If we wish to create beautiful experiences for our customers, we must first create beautiful experiences for our colleagues. At Sa Sa, we aim to make every employee's career and every customer's experience a journey towards beauty.

Sa Sa has for years invested a great deal of time, money and effort in equipping its staff with relevant skills and understanding, with the aspiration that they will become leading lights in the cosmetic retail sector. We also place great pride in offering our staff opportunities to realise their full potential to grow and shine.

Our Challenges

In the face of keen competition for talents and changing expectations of the labour force, high staff turnover is a common challenge across the retail sector. The fast-changing landscape of retail businesses, with the rise of e-commerce, present both new opportunities and new sources of competition that put traditional retail business models to the test. Customers expect retailers not only to deliver the *quality* they desire, but also the *experience*.

Our Approach

Our talent development and retention strategies and policies play an important part in helping us prepare for these challenges while pursuing our purpose of *making life beautiful*.

Employment Policy[1]

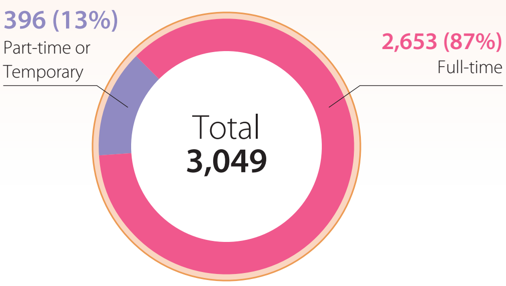
Health and Safety Policy[1]

Training and People Development Policy[1]

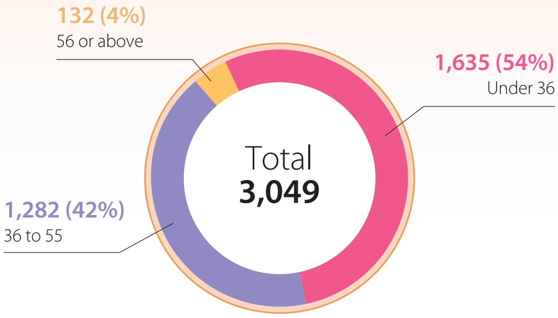
[1] To ensure these policies are effective and relevant, the responsible department reviews them periodically, assessing their effectiveness when addressing relevant risks in operations. Sa Sa complied with all relevant laws and regulations relating to employment, labour and data privacy during the year.

Employee Profile[1]

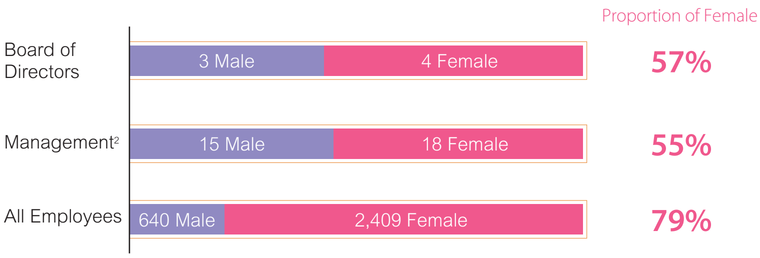
Employee Numbers by Employment Type



Employee Numbers by Age Group



Employee Numbers by Gender



Junior Beautician Trainee Graduates 2018

[1] We have refined the scope to cover employees' figures for Hong Kong and Macau operations only, in line with our overall ESG reporting scope.
[2] For the purpose of the ESG report, "management" refers to senior management on page 65 of this annual report, and all vice-presidents, department directors and associate directors.

Developing Talent Towards Shared Goals

Our people are the foundation of a sustainable future for Sa Sa, and so we have well-established learning and development plans. Our frontline staff received on average 300 hours of professional training, and are well supported in their pursuit of a career and a life that makes them shine. Our learning and development programmes help to ensure that our employees are attuned to our customer's ever-changing expectations, and are equipped to meet them.

We seek to ensure that our trainings meet the present-day needs of our business. Online trainings are provided through our own Beautiversity platform to help our employees continually acquire new skills and know-how, with a focus on building and maintaining strong relationships with our customers.

Beautiful beginnings for our frontline staff

Sa Sa provides a clear career development path for frontline staff. It takes on average six years for a Sales Trainee to be promoted to Assistant Shop Supervisor, Shop Supervisor or Sales Supervisor.

Frontline Development Path

Training time

Outstanding Big Sister and Brother / Shop Trainer Programme

Big Sisters and Brothers can further develop their skills with the aim to become a team leader or shop supervisor at Sa Sa. They acquire knowledge of personnel management in preparation for promotional or other opportunities.

Core 27 hours
Advanced: 6 hours
Total: 33 hours

Big Sister and Brother

There are more than 200 Big Sisters and Brothers in Sa Sa currently. This scheme aims to develop our experienced colleagues into coaches to train junior colleagues, thereby enabling the transfer of valuable knowledge and mentorships for the junior staff. Each Big Brother or Big Sister will guide one or two of their junior colleagues. Through coaching others, the Big Sisters and Brothers can also learn new skills to prepare themselves for shop supervisor role.

Core: 16 hours
Advanced: 12.5 hours
Total: 28.5 hours

Beauty Consultant

It takes about 10 months to be promoted from Sales Trainee to Beauty Consultant, and continuous training will be provided:

- Advanced product knowledge
- Sales techniques and customer psychology
- Advanced customer service

Core: 35 hours
Advanced: 41.5 hours
Total: 76.5 hours

Junior Beautician Trainee

We hire candidates with one to two years' work experience for this role, and provide six months' training which includes:

- Make-up techniques
- Sales techniques
- Practical English
- Customer service
- Product knowledge

During the year, 80 staff members have completed the curriculum and entered a new stage in their beautiful career.

186 hours

Sales Trainee

We target high school graduates with no prior work experience. The four-month training includes:

- Basic knowledge of cosmetics
- Opportunities to conduct actual sales
- Sales and communication techniques

90 hours

80 staff members have completed the curriculum of Junior Beautician Trainee during the year and are ready to begin a new chapter in their beautiful career as professional beauty consultants.

Nurturing Sa Sa's Future Leaders

Sa Sa is dedicated to training university graduates and senior members of staff with the potential to become future leaders at Sa Sa, *making life beautiful* under the company's mission.

Management Trainee (MT) Programme

- An 24-month programme
- Running for 16 years since 2004
- For recent university graduates who are looking for challenges
- Provides training on adaptability, team-work and problem-solving skills

2018/19

Applications 299

Programme Duration 24 months

Final Intake 14

MT Programme, catering to the different aspirations of future talent. In 2018/19, MTs were recruited with a view to joining the following departments:

Sales Operations	Category Management and Product Development
Marketing	Logistics

"I joined the MT programme after graduating from university in 2016. My biggest takeaway from the past two and a half years, working in a store with a big team, is learning how to manage people. In the past, I often looked at different issues from my own perspective. My supervisor at the time taught me to use empathy, stepping into others' shoes to ask, "How would I feel if someone else did this?".

After the MT programme and assessment, I have now become a store supervisor. The skills I learnt through the programme have helped me immensely in my ability to lead a team."

Ceci Yu – *Assistant Supervisor (former MT from class of 2016)*

“When I started at Sa Sa, I didn’t expect to work here for 30 years! I didn’t have a long-term plan when I graduated: all I had in mind was to find a job. I enjoyed wearing make-up, had a tiny bit of knowledge on skin care, and heard that the income wasn’t too bad, so I tried to apply. Not until after I got the job, and learned that Sa Sa had a clear route of promotion, did I realise that I should plan for my own future.”

Carol Cheng – *Senior Supervisor*
Has been working for Sa Sa for over 30 years

Overseas Placement

Staff with three or more years’ experience may be stationed overseas to assist with developments in other places and broaden their horizons. Staff have been posted to Macau, Mainland China, Singapore and Malaysia.

Corporate Successor Programme

In order to unleash the potential of experienced staff, Sa Sa will soon launch a Corporate Successor Programme. Heads of departments will select the best middle management staff members to receive structured support from our human resources team to further enhance their performance and equip them to become the company’s future leaders.

Ongoing Professional Development and Education

Sa Sa provides up-to-date training to help our colleagues acquire professional certifications and become the most well-rounded talents in the industry, thereby enhancing the professional standards of the wider cosmetic retail sector. Sa Sa also collaborates with post-secondary institutions to attract and nurture future talents for the cosmetic retail industry.

Recognition of Professional Qualifications under Qualification Framework

Some Sa Sa professional beauty consultants have served our customers for over a decade. To better recognise their expertise in this area, Sa Sa participates in the Recognition of Prior Learning (RPL)[1] programme under Hong Kong’s Qualification Framework (QF). This enables them to obtain recognised qualifications based on their work experience, and facilitates their ongoing professional development.

Sa Sa has also applied for accreditation for our own Beauty Consultant training programme, further enhancing the career potential of our talents.

Award ceremony for QF

Since the introduction of the RPL Initiative in 2015/16

We have put forward **320** staff members for the RPL (QF Levels 2-4)

100% success rate: all **123** staff members put forward were awarded qualifications under the RPL

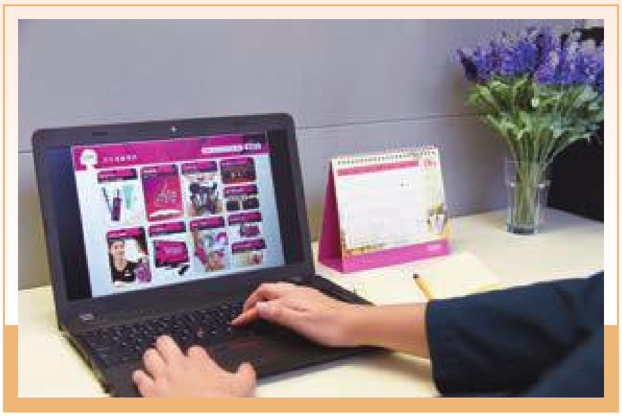
[1] Recognition of Prior Learning (RPL) is a mechanism under the Qualification Framework (QF) that provides an alternative route for practitioners to obtain QF-recognised qualifications based on their on-job insights developed over several years. Such mechanism facilitates their subsequent progression in continuous learning. Assessments under the RPL in Retail and Beauty industry are conducted by the Vocational Training Council.

E-Learning Platform

Our e-learning platform Sa Sa Beautiversity provides multimedia training, from the use of WeChat store, to updates on market trends such as popular healthcare products, as well as softskills training. The platform provides a total of 236 flexible and up-to-date training courses.

Continued Education Subsidy

In addition to the training and development programmes, a subsidy of HK$10,000 or 30% of their salary is offered to each employee for pursuing courses of their choice[1].



Sa Sa Beautiversity helps staff develop new skills and acquire knowledge

Nurturing Talents for the Future

84 students were awarded internship opportunities in 2018/19.

The Business-School Partnership Programme (BSPP) of the Education Bureau

Provides students with internship opportunities, allowing them to gain two-day of frontline experience, deepening their understanding of the industry.

5 students received training in 2018/19.

VTC Earn & Learn Scheme

Provides paid internship opportunities or tuition sponsorship for students to receive on-the-job training while studying, nurturing a new generation of retail specialists.

682 students received professional training in the two-year cooperation commenced in 2016.

Social etiquette and personal grooming courses with IVE Business Administration Discipline

Sa Sa's professional Beauty Consultants conduct training courses on personal grooming and professional image building to students.

[1] The conditions applied are that:

a. The course should be deemed relevant to their duties by their supervisors.

b. If an individual's employment with Sa Sa is voluntarily terminated within 12 months after reimbursement, the individual must pay back the subsidy received during the 12 months immediately preceding the termination date.

Beauty at Work Through Wellbeing and Exchange

Sa Sa seeks to infuse the pursuit of beauty into different aspects of our employees' experience, from their compensation and benefits, to our workplace and internal communications. Our goal is to support our employees to realise their aspiration of *making life beautiful* through being part of the Sa Sa family.

Staff turnover is a common challenge faced by the industry. A new working group on talent development is set up under the Sustainability Steering Committee to look into this challenge and more systematically review and formulate initiatives to improve employee retention.

We Listen and Respond

We listen to our frontline staff, learning from their first-hand experience interacting with the customers to develop new business strategies. We promote two-way internal communications by providing multiple channels for engaging with employees, so that we can understand their needs and expectations, and provide adequate and timely responses.

Channels	Participants	Details
Board Meetings	Board of Directors	Five Board and 18 Board Committee meetings were held this year to ensure that interests of major stakeholders were addressed and key strategic priorities were clearly defined.
Management meetings	Management team	Monthly management meetings ensure continuous alignment of operations to the Company's strategic priorities and weekly meetings involving core business units ensure continuous alignment of efforts between business units.
Grand breakfast meeting	All frontline staff, and senior and middle management from the office	An annual morning meeting where all frontline staff from over 100 shops in Hong Kong and Macau led by different line managers gathered to interact with senior and middle management from the office, with the objective of sharing major strategic directions for the year and reinforcing the support provided by the backend office to the customer facing frontline. The topic this year is 'Unite, strive and focus to achieve great results'.
Supervisor meetings	All shop supervisors and representatives from key business units	A meeting of all shop supervisors with the office management team is held monthly, so that regular realignment of priorities can be discussed and followed.
Line meetings of each Operation Managers	Frontline staff, heads or representatives from core business units in the office	Held three times a year, purpose of which is to enable shop staffs led by the same Operation Managers to meet and exchange idea and share experience.
Internal Newsletters	All staff members	An internal e-newsletter providing updates on ESG issues at Sa Sa is sent to all staff members every quarter, and to all frontline staff every month.
Staff Recreation Club	All staff members	All staff are invited to join a broad range of recreational activities each year, such as karaoke, barbecues, and baking workshops.
Green workshops and activities	All staff members	Various green-themed activities are organised every year to engage staff members in caring for the environment.

Remuneration and Benefits

We review Sa Sa's remuneration package annually. We offer discretionary bonuses as well as sales bonuses, commissions, share options and share awards to reward good performance. Relevant details are set out in the Employment Policy and Employee Handbook.[1] In the fiscal year 2018/19, the Group invested around HK$1,170 million in employees compensation and benefits, representing about 14% of annual sales turnover of the entire Group.

Sa Sa also reviews staff welfare policies regularly. For example, some of our staff could benefit from support in their daily commute. During the year, we offered 12 shuttle bus routes to and from our offices or logistics centre to make commuting during peak hours less of a hassle for our employees. Two additional shuttle bus routes were introduced in the financial year commencing April 2019.

Our human resources department meets with frontline staff from time to time to gather their feedback and report their views to the management team.

A Safe, Healthy and Harmonious Workplace

The Health and Safety Committee, led by the head of human resources with members from various departments, is responsible for monitoring the implementation of the Health and Safety Policy. It sets out the roles of employer and employees in maintaining a safe and healthy work environment, and is reviewed periodically to ensure continuous updates and improvements. A module on preventing workplace injury is included in the staff induction. There was zero non-compliance with health and safety regulation in 2018/19.

This year, in order to further enhance workplace safety for our logistics staff, we provided free safety shoes in our warehouses, and introduced a policy stipulating that all staff and visitors must wear safety shoes or safety-shoe covers before entering the warehouse. We have also introduced vacuum chucks (a safety device for lifting and moving heavy objects) to make moving heavy objects safe and easy, greatly reducing the potential risk of injury.

Apart from occupational safety, the mental wellbeing of our staff is also of great importance, especially given our emphasis on quality of service within the world of cosmetic retail. In 2019, Sa Sa introduced a stress assistance hotline, available to all staff, to help them manage the pressures they face from their work and personal lives.

Sa Sa is committed to creating and maintaining a fair and inclusive workplace. The Employment Policy[2] clearly states the importance of maintaining an inclusive and harmonious workplace that is free of discrimination, physical or verbal harassment against any individuals with regards to race, religion, colour, gender, physical or mental disability, age, birth place, marital status, sexual orientation or any other status protected by applicable law.

Sa Sa's anti-bribery policy and practices[3] help to ensure a fair and upright work environment. We recorded zero non-compliance incidents relating to anti-corruption and bribery during the year. Our Internal Audit and Management Services department is responsible for the implementation of the policy. More details can be found in the Enterprise Risk Management Report.

Newly introduced safety initiative at logistic centre – vaccum chuck

1 Which includes:
   a. Recruitment, remunerations and welfare
   b. Performance reviews and promotion
   c. Working hours and rest periods
   d. Staff dismissal and end of contract arrangements

2 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.

3 Our Whistleblowing Policy provides the necessary mechanisms for employees to report misconduct within the company.
Our Gifts and Entertainment Policy, Conflict of Interest Policy and Guidance on Prevention of Bribery Ordinance manage and prevent possible bribery and conflicts of interest.

Beautiful Experiences for Our Customers

Offering in-depth skin analysis to customer with skin scanner

Our Aspirations

We are dedicated to satisfying the needs and expectations of our customers by offering a diverse range of high quality products, providing attentive shopping experiences, and supporting our customers to pursue their aspirations for a beautiful life.

Our Challenges

The arrival of the New Retail era, characterised by the widespread application of Internet of Things along with demand to synergise online and offline retail, is disrupting the cosmetic retail industry, bringing new opportunities and unknowns.

Our Approach

How can Sa Sa stand out in this new era while maintaining the high standards of our products and services? We are formulating a series of initiatives to respond to these new challenges and plan to invest more into the following areas to create seamless customer experiences on different platforms:

- Integrate Big Data to analyse and better understand the consumption patterns, preferences and expectations of our customers.
- New Point of Sale system which will be quicker, and able to match promotional offers with customers preference, and shortening check-out time
- Provide interactive shopping experiences by applying the Internet of Things to elements such as browsing and trying products.

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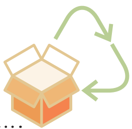


Product Recall Cases

Number of Suppliers by Geographical Region:

Hong Kong	346	(53.2%)
Asia (ex. HK)	181	(27.8%)
Europe	97	(14.9%)
America	17	(2.6%)
Others	9	(1.4%)

"When customers choose to shop at Sa Sa, they have cast their vote of confidence in the quality of our products."

Safeguard Beauty through Product Quality and Safety

Sa Sa currently houses around 18,000 SKUs, responding to the needs of customers of all ages and backgrounds. Quality is always our first priority. Our teams in category management and product development, quality control, frontline sales and customer service work together to ensure the quality and safety of each and every product we carry. As in the past, there is no incident of product recall or non-compliance due to safety or health issues this year.

Many of our key supply chain processes, including logistics, category management and product development, as well as marketing and customer service are certified by independent third parties, meeting requirements such as ISO quality control standards (ISO 9001:2015). Our preference is to work with suppliers with impeccable track records, and we plan to develop our own code of conduct for suppliers in the coming year to further enhance the management of our supply chain.

Here are some of the ways we seek to ensure customers are satisfied with our products and services:

- Our products underwent stringent quality control before they are put up for sale.
- Majority of our products originated from countries or regions with stringent regulations governing cosmetic and personal care products, including the European Union, the United States, Japan and South Korea.
- We commit to having products with at least six months of shelf life for sale in our stores (except food and pharmaceutical products, which have shorter shelf life due to their nature).
- Through various methods including the vendors' evaluation, contractual measures, quality control undertaken at the warehouse and monthly checking undertaken at the shops, we ensure that only authentic and quality products with a reasonable shelf life are offered to customers.
- We provide our suppliers with updated lists of ingredients that are prohibited or restricted in major jurisdictions.
- Should there be potential quality, safety or health issues with our products, Sa Sa's senior management team is directly involved in the investigation and management of the issue. We will always err on the side of caution and may remove the products in issue from the shelves pending the outcome of a thorough investigation when it comes to product authenticity or safety.

Apart from strict safety and quality monitoring of our products, we encourage our suppliers to continuously improve their performance in respecting the environment and wider society. We also require warranties on the protection of intellectual property and third-party rights[1] in most of our contracts with suppliers and service providers.

Create High Standards of Customer Experiences

We endeavour to provide high quality and worry-free services to our customers, through these measures:

- 30-Day Purchase Guarantee to ensure a satisfying purchase experience for customers across all our sales platforms.
- Mystery shoppers programme across all stores to objectively assess the quality of service. This helps us identify the strengths in our customer service, as well as room for improvement.
- Customer experience training for frontline staff; providing on-site guidance and information to improve customer service.
- Customer complaints and investigation process[2], which is carried out whenever complaints regarding the quality of products or services, or incidents reports, are received. Responses are duly provided to customers.
- Privacy of personal data is safeguarded by strictly complying with the Personal Data (Privacy) Ordinance. We commit to using the customer information we collect only for the purpose intended and notified.

Recognition for quality customer services.

Award-winning Service

Hong Kong Retail Management Association (HKRMA) "**Service and Courtesy Awards**" 2018	• The Best Team Performance Award – Bronze Award
	• Excellent Service Star (Cosmetics & Nutritious Products) – 3 award winners
	  • Gold Award – Supervisory Level
	  • Silver Award – Junior Frontline Level
	  • Bronze Award – Junior Frontline Level

HKRMA **Mystery Shopper Programme** 2018	Excellence Award – La Colline Service Retailers of the Year (Beauty Products/Cosmetics Category) – La Colline
East Week "**Hong Kong Service Awards 2019**"	Voted for the tourists' choice award by public

1 We have strict policies to prohibit downloading movies, music and pirated softwares.
2 During this financial year, we received a total of 111 complaints regarding the quality of products and service and 150 customer appreciation.

Preserving the Beauty of the Planet

New and upgraded logistic facilities to improve operational efficiency.

Setting the Tone from the Top

"While still at the start of our sustainability journey, we have been taking ESG considerations seriously in our daily work. To be more strategic about our progress, we are crafting targets for sustainable development, especially concerning energy efficiency, waste and plastic reduction, and talent development. We believe that these initiatives will pave the way for Sa Sa's long-term development."

Dr LOOK Guy
Chief Financial Officer and Executive Director

Our Aspirations

As a leading cosmetic retail group, we are committed to protecting the environment by integrating environmental considerations into our decision-making, and implementing appropriate measures to minimise the direct and indirect adverse impacts on the environment brought about by our daily operations.

Sa Sa strictly observes all applicable environmental laws and directives[1] and commits to supporting the Government in the implementation of environmental policies.

Our Challenges

Part of the impact of climate change includes more frequent and more severe extreme weather events that may have a direct impact on our sales and on the wellbeing of our stakeholders. They also put the supply and cost of our products – as well as the productivity and reliability of our supply chain – at risk. Sa Sa should take a proactive stand to prepare for these foreseeable challenges.

Our Approach

Sa Sa employs a workforce of over 3,000 in Hong Kong and Macau, and understands that the successful implementation of our environmental policies hinges on the support of each member of staff. During the year, we sought to embed caring for the environment in the DNA of Sa Sa. We must all work together to build a corporate culture that is mindful of resource conservation, and to play our part in preserving the beauty of the planet.

[1] During 2018/19, we received no reports of non-compliance.

Reducing Our Carbon Footprint

Tackling climate change is listed as a priority in Sa Sa's Environmental Policy. Global warming reached a historical high in the past five years (2014-2018). Extreme weather has affected the world, and Hong Kong is no exception. Our products cover more than 700 international cosmetic brands, and are sourced from 27 countries around the world; this makes disruption to logistics and supply due to extreme weather events a risk to our business. Typhoons, thunderstorms and heavy rainfall also have a direct impact on our sales. It is imperative that we devise flexible and effective contingency measures to manage these anticipated risks.

Environmental Policy

The Hong Kong Government has already followed Mainland China in adopting carbon reduction as a priority objective in its environmental policy. As a member of the Hong Kong community and the global village, Sa Sa will give its full support to the implementation of relevant climate policies and contribute to the effort in tackling climate change and other environmental challenges.

Since 2012/13, Sa Sa has been monitoring and managing the greenhouse gas emissions attributable to our business operations[1]. In 2018/19, our operations produced 14,873 tonnes of carbon dioxide equivalent (CO2e), a decrease of nearly 6% in absolute terms, compared with the 2017/18 emissions of 15,867 tonnes.

Our carbon intensity per floor space in 2018/19 rose by 13.3% to 255 kg per square metre as compared to 2017/18. This was due to a lower than normal intensity recorded in 2017/18 because of temporary enlarged floor area due to parallel run of two logistic centres when we were relocating our logistic centre by phase from Chai Wan to Kwai Chung. Although the intensity increased in 2018/19 as compared to a low base from the previous year, an overall downward trend on carbon intensity is observed from the baseline year of 2014/15.

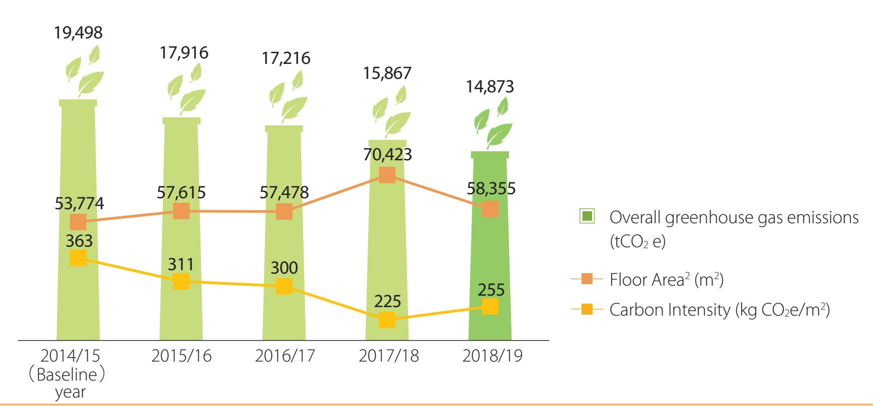
Compared to our baseline year (2014/15)

Floor Area[2] 8.5%

Carbon Emission 23.7%

Carbon Intensity 29.8%

Carbon Emission and Intensity



As of 31 March 2019, Sa Sa operated a total of 118 stores in Hong Kong and Macau. While our business is growing steadily – our total floor area[2] increased by 8.5% since 2014/15 – our overall GHG emissions decreased by 23.7% over the same period, while carbon intensity per square metre of floor area decreased by 29.8%. We are pleased to see our persistent effort in energy and carbon reduction over the years are paying off. We will continue to look for opportunities to further carbon reductions in our operations.

1 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.

2 The 'reported' floor area is the average over the year, rather than area at the end of each year. It included gross floor area of the office, all stores (including sales area and non-sales area) and logistic centre. This is calculated by adding up the gross floor area at the end of each month, and then dividing the total by 12. This gives us a more accurate picture of our carbon/electricity intensity as we might opened/closed a number of stores during the year.

Conserving Precious Resources

Tackling Energy Consumption

Energy consumption through electricity (Scope 2 emissions) is the source of more than 97% of total carbon emissions within our operations. Among Sa Sa's main operation facilities, retail stores are responsible for most of the energy consumed, accounting for 80.2% of the total, followed by logistics facilities (13.1%) and offices (6.6%).[1]

In 2018/19, our overall electricity consumption dropped by 3.3% compared to the previous fiscal year. However, as outlined in the previous section (page 85), our energy intensity per floor space rose by 16.7% as compared to the previous year.

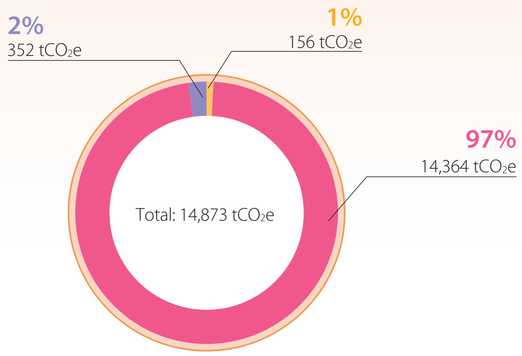
2018/19
Energy Consumption

3.3%
compared to previous year

Energy Intensity

403 kWh/m[2]

Carbon Emission by Scope 1,2,3



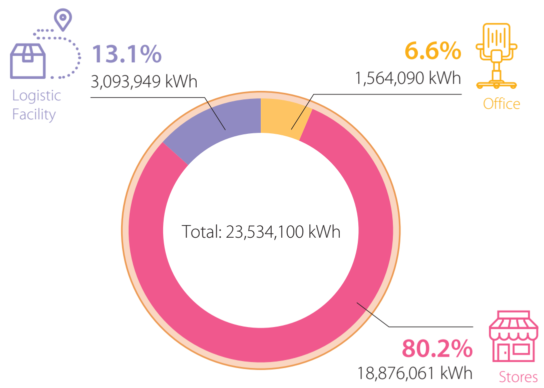
- Scope 1 - Company-owned transport fleet and employee-owned vehicles used for business purposes
- Scope 2 - Electricity consumed in our stores, headquarters and logistics facilities
- Scope 3 - Paper disposal in landfill, business air travel, fresh water supply and sewage treatment, and transport fleet owned by external logistics providers

Energy Efficiency Improvements

We have put in place extensive energy conservation measures at our logistics facilities, offices and retail stores.

These measures include replacing the original appliances with energy-efficient alternatives, replacing traditional lightbulbs with LED lights, as well as independent control of ventilation in different interior zones, and clearly identifying the different lighting zones in the staff seating plans with a view to eliminating idle lights after office hours.

Energy Consumption by Facility Type[1]



Sa Sa is among the early adopters and signatories of the Environment Bureau's Charter on External Lighting, a charter that urges retailers to switch off external lighting to minimise light pollution for nearby residences. Sa Sa has since installed timers at its facilities to ensure that the external lighting systems of our stores are switched off after midnight or earlier as far as practicable.

WWF's Low-carbon Office Operation Programme 2018 / 2019 – Silver Award

[1] Due to rounding, percentage may not add up to 100%.

LED Lights for Eight More Retail Stores

Our retail stores are responsible for the majority of our operation's electricity consumption. We therefore introduced a policy, back in 2010, to stipulate the use of LED lights in the design of all new stores and the refurbishment of existing stores. In 2018/19, eight more retail stores replaced traditional illumination systems with LED lights, adding up to a total number of 120 stores lit entirely by LEDs, or 84% of all our stores in Hong Kong and Macau. This measure has proved highly effective. For example, three of our stores in North Point, Jordan and Tuen Mun recently participated in the LED makeover and saw a reduction in electricity consumption by 31%, 22% and 19% respectively, avoiding 80,302 kWh of electricity and HK$92,000 of utility costs.

We have installed LED lights in

84%

of our stores.

Since 2009/10, our stores have also been implementing a policy of switching on only half of the lights outside business hours to conserve electricity.

Our persistent efforts to save energy over the years have led to a 17.8% decrease in electricity consumption per floor area across our stores when compared to the 2014/15 baseline year – a clear path of electricity reduction for four consecutive years.

84% of our stores are now equipped with LED lightings

Reducing Emission for a Low Carbon Future

Although the proportion of coal in the fuel-mix for Hong Kong's electricity generation has been decreasing, this carbon-intensive fuel remains the main source of power generation for both electricity companies operating here. Efficient use of electricity is therefore critical to reducing our carbon footprint.

Electricity also accounts for a considerable part of our operation costs, and so reducing our consumption brings significant benefits to us, both financially and environmentally. To help us improve our energy efficiency, we invited the two power companies in Hong Kong to audit the electricity consumption of our warehouses and offices and share best practice recommendations. Facilities which implemented the recommendations saw a year-on-year reduction of 10% in electricity use. In addition, we are using CLP's smart metering service, Meter Online, to monitor our real-time energy consumption, enabling us to devise more targeted measures to exercise control on electricity use and peak demand. Through the newly established taskforce on operational excellence, under the Sustainability Steering Committee, we will look into opportunities for deploying more energy efficient measures.

Water Resource Management

Although our cosmetic retail operation does not have significant direct impact on water, it is an important resource in the value chain, especially during the production of the cosmetic products and their use by consumers. We therefore included water conservation in our Environmental Policy.

Besides these steps to influence our indirect impacts, we actively monitor water consumption in our offices, retail stores and logistics centre. We have placed reminders next to the water faucets to remind our staff to conserve water. The relocation of some independent retail stores into shopping malls has also contributed to lower water use in our toilets. We are reaping the early rewards of our effort: in 2018/19, our water intensity was 16,198 per square meter of floor area, a 38.9% reduction from 2017/18.

Responsible Sourcing in the Pursuit of Beauty

As part of our commitment to the quality of our consumer products, it is important that we take into consideration their environmental impacts. One impact attracting global scrutiny is plastic pollution: a devastating problem for the world's oceans and marine life. We are concerned about the use of plastics in our business operations and have implemented measures to reduce the impact on biodiversity and the environmental, thereby preserving the beauty of the ocean.

Taking a Lead on Microbeads in Cleansing Products

Microbeads are plastics of less than 5mm in length or diameter. In the past few decades, microbeads were widely introduced in cleansing and exfoliating products for facial and body use. Recent research studies showed that microbeads put marine life and people's health at risk. Some countries and multinational brands have banned, or are taking steps to eliminate, the use of microbeads in exfoliating and cleansing products.

Our Position on Microbeads

In 2016, Sa Sa introduced a policy to ban the use of microbeads[1] in all our cleansing and exfoliating products by the end of 2018, regardless of whether the products are manufactured or distributed by us. This enabled us to join hands with our customers in protecting marine life and people's health. Sa Sa was among the first cosmetic retailers in Hong Kong that pledged to phase out the use of microbeads in the cleansing and exfoliating products we carry. This exemplary move set an example for industry peers to follow, and fostered discussions among Government and industry to regulate the sale of these products.

Microbeads are also commonly found in cosmetic products such as sunscreen lotion, eyeshadow, eyeliner, lipstick and foundation. There is currently no substitute for microbeads in these products. Sa Sa seeks to maintain a balance between providing quality products for our customers to pursue their personal beauty and preserving the beauty of the ocean. We would continue to monitor international studies on the environmental impacts of personal skincare and cosmetic products that contain microbeads and regularly review our policy on this.

Our Own-brand Products

Since 2016, Sa Sa has conducted thorough review of the ingredients used in our own-brand products. We implemented a voluntary disclosure process with our suppliers and learnt that microbeads were used in nine products. We immediately took them off the shelf, and began the process to source alternative ingredients to replace microbeads in these products.

Maintain high quality of our products

Other Products

Whilst we often do not have direct control over the ingredients in the products we carry, there is also no regulatory requirements in Hong Kong stipulating the disclosure of microbead use in product descriptions. Nonetheless, we took the following steps in an effort to fulfill our commitment to ban microbeads in all exfoliating and cleansing products that we carry:

1) Required close to 200 suppliers to report the use of microbeads in the products they supply to Sa Sa.
2) Examined 2,179 products, of which 24 were found to contain microbeads and were taken off the shelf immediately.
3) Engaged with distributors and agents, encouraging them to persuade the product manufacturers to cease using microbeads.
4) Strengthened product inspection and risk management to protect Sa Sa's reputation.

[1] Microbeads have different definitions in the world. Sa Sa took reference from the Microbead-Free Waters Act of 2015 of the United States and banned the use of eight kinds of substances that are widely defined as microbeads, including Polyethylene (PE), Polyethylene terephthalate (PET), Polymethyl methacrylate (PMMA), Polytetrafluoroethylene (PTFE), Nylon-6, Nylon-12, Polyurethane (PUR) and Acrylates copolymer. Sa Sa noted that a number of regional governments would, from time to time, update the list of microbeads recommended to be banned. Where possible, we would conduct timely review of our guidelines on product ingredients.

Choosing the Right Partners, Adhering to International Standards

As one of the leading cosmetics retail groups in Asia, we take our corporate responsibility seriously. We also encourage our suppliers to adopt responsible and sustainable practices with respect to a range of environmental and social issues outlined in our Responsible Product and Supply Chain Policy. We have included these expectations in our current ISO-certified process of engaging with new suppliers. This process gives preference to suppliers which integrate considerations for environmental conservation, protection of endangered species, protection of labour rights and welfare, equal opportunities, non-participation in animal testing, and responsible sourcing into their own operations. When choosing logistics partners for the distribution of goods from our centre warehouse to our stores, environmental protection is one of our selection criteria.

Responsible Product and Supply Chain Policy

Encouraging Our Customers to Reduce Their Plastic Bag Usage

In compliance with the Product Eco-responsibility Ordinance (Cap. 603) of Hong Kong, Sa Sa charges customers HK$0.50 for every shopping bag. In 2018/19, Sa Sa distributed around 3.01 million plastic bags[1] to its customers, a 5% year-on-year increase. The increased use of shopping bags was due to the growth of our business, with 3.6% more transactions than the previous year. The average number of shopping bags per transaction was 0.18, a 1.4% increase on the previous year.

Sa Sa has pledged to invest funds from the plastic bag levy to promote environmental awareness. Last year:

- We produced Eco Meal Kits which were gifted to around 3,000 employees which were also available to customers to buy at our stores, in a bid to encourage them to reduce the use of disposable plastic takeaway boxes and cutlery.
- We sponsored the Green Hackathon organised by the Hong Kong Retail Management Association to raise environmental awareness and promote the sustainable development of retail.

Since the implementation of the plastic bag levy on 1 April 2015, Sa Sa has allocated close to HK$1 million in collected funds to raise environmental awareness among consumers. The Government will review the effectiveness of the plastic bag levy in 2019 and plans to increase its scope. We are looking into ways to engage and incentivise our customers to avoid the use of plastic shopping bags.

[1] Our shopping bags are made of paper sourced from sustainably and responsibly managed forests and certified by the Forest Stewardship Council (FSC). The plastics content of the shopping bags are made from oxo-biodegradable material to minimise their impact on the environment.

Our professional logistics team

"We don't see implementing environmentally friendly policies as a burden to our logistics department. Introducing measures to reuse carton boxes, or recycle cardboards and stretch film, has not only helped to save the environment, but also helped us save cost and time: a win-win for our business and the environment."

Reducing Waste at Source

In 2017, every Hong Kong resident sent, on average, close to 530 kg of municipal waste to landfill – a record high in 27 years according to the Environmental Protection Department[1]. The Government has set a goal to lower the amount of waste disposed to landfill to 0.8 kg per person per day (or 292 kg per person per year), a 55% reduction. Sa Sa is committed to supporting our city in achieving this goal. During the year, we continued to implement our strategy to *reduce, reuse and recycle* across our logistics centre, retail stores and offices, in an effort to minimise waste disposal to landfill.

We understand that a substantial source of our waste comes from the packaging materials that protect our products during transportation: most of the products we procure are first sent to our logistics centre before being distributed to individual retail stores. We have therefore looked into ways to reduce the waste we generate through this distribution process, and have implemented a series of measures in our new ATL Logistics Centre, which commenced operations in September 2017.

Pallet wrap machine

Carton boxes reuse

Reduce

- Our logistics and operations teams continuously evaluate packaging materials used during delivery and identify opportunities for cutting down the use of packaging material.
- Pallet wrap machines are used to reduce stretch film consumption in wrapping loaded transportation pallets.
- Since last year, whenever our stores replenish our 20 best-selling products, the order must be a multiple of the quantity contained in a carton box. This measure reduces the use of materials in re-packaging the products. Not only does it benefit the environment, it also helps us reduce the time cost in handling the packages.

Reuse

- Carton boxes are reused. After the merchandise is unloaded at our retail stores, most carton boxes are sent back to the logistics centre. Each carton box is used on average four times before being recycled.

[1] Monitoring of Solid Waste in Hong Kong 2017

Stretch film recycling

Recycle

- All used cardboards, stretch film and pallets at the logistics centre are handled by our recycler, with the recycling rate close to 100%.

Recycle 100%

Quantity recycled in 2018/19

Carton Boxes 232.6 tonnes

Transporting products from the logistics centre to stores

Pallets 6.2 tonnes

Moving and lifting products

Air Packaging 14.5 tonnes

Filling up empty space in carton boxes to reduce product damage due to displacement during transportation

Stretch film

Wrapping carton boxes on pallets

Proper Waste Classification and Handling

Damaged goods and goods close to or past their expiry are managed by our logistic team according to the following procedures:

Solid and Liquid (e.g. paper masks and shampoo)

When we reached a certain quantity of solid and liquid waste, we submit a Disposal of Special Waste at Landfills Admission Ticket to the Environmental Protection Department. The waste is only sent to landfill through our vendors after we receive approval.

Chemical Waste (e.g. perfume, hair spray)

When our chemical waste reaches a certain quantity, we notify the Chemical Waste Treatment Centre (CWTC) to make arrangements for disposal.

Room for Improvement

The design of the ATL Logistics Centre incorporates a range of energy efficient and environmentally friendly features, including an air conditioning system operating with variable speeds, enhanced building insulation, and the use of fans to aid air circulation. These measures make temperature and ventilation control more effective and energy efficient. However, while the full deployment of automated logistics facilities have increased the productivity of our logistics centre, this has unfortunately also increased our electricity consumption. Our annual electricity consumption at the logistics centre was 12.5% higher than the previous year. We have therefore collaborated with CLP Power, our electricity provider, to apply Meter Online service to monitor our electricity usage at half-hourly intervals, helping us to better understand our consumption patterns and identify ways to reduce our use in future.

Our frontline logistics staff

Engaging Employees to Create Change

Listening to Frontline Experiences

Sa Sa launched a survey across our stores in Hong Kong and Macau in early 2018 to better understand their current waste manage practices, and prepare for the imminent enforcement of the new Municipal Solid Waste (MSW) Charging Scheme. The exercise helped us estimate the cost of MSW Charging to our business. It also provided useful insights for us to develop more effective waste reduction measures. From the 75 responses collected, we found that almost half of our stores did not have a habit of recycling their waste, while 75% of waste disposed were recyclable, of which more than half was paper. We also noticed a trend that stores with a higher staff turnover tended to generate more waste. Our frontline employees shared their feedbacks that the key impediments to more robust waste separation and recycling were:

- Insufficient storage space and lack of in-store recycling facilities
- Lack of recycling facilities near the stores
- A perception of waste separation and recycling being time-consuming
- Lack of environmental awareness among employees

In response to this feedback, we have conducted waste sampling at our stores to systematically review our waste performance and practices. We are also coordinating with relevant property management companies and cleaning service providers to facilitate recycling effort in our stores. Waste management is one of the focus areas of the new operations working group established under the Sustainability Steering Committee. The working group will take the lead in coordinating waste reduction effort across our stores. In addition, we will provide our subcontractors with guidance to ensure that waste created during renovations is properly handled by authorised waste disposal vendors.

Encourage our colleagues to minimise the use of disposable plastic tableware

Every Little Helps

We began to record the amount of waste generated in our offices since 2015. This year, we generated 22,308 kg of waste, a 11.3% decrease from the previous year.

We are piloting a range of initiatives in our offices, including installing paper recycling bins and encouraging our staff to print less and to print on recycled paper where appropriate. In the past year, 22,412kg of used paper was collected for recycling. We are pleased to see these early rewards for our efforts to raise employee awareness of the importance of segregating waste at source. We are also collaborating with our printing solutions provider to adopt sustainable innovations such as "follow me printing" with a view to further reducing our paper usage.

Recycling facilities in the office

The amount of waste generated from our offices is relatively insignificant when compared to that from our logistics centre and retail stores; however, we believe that every little helps, and every little helps to build awareness and habits among our staff, who may inspire more people through their own circles of influence to join hands in preserving the beauty of the planet Earth.

Putting the Environment at the Heart of Our Communications

In 2018/19, we continued to leverage different internal communication channels to share Sa Sa's environmental commitments, aspirations and challenges with our staff.

- Our quarterly newsletter has hosted a Green & Gorgeous column to share environmental news and daily green tips with all staff since 2012.
- Updates on environmental policies and procedures are circulated internally through various digital means.
- All new hires receive training on Sa Sa's environmental policies to learn about the company's ethos and how everyone can play a part in minimising our operations' environmental impacts, sharing our commitment to preserve the beauty of the planet.

Planting Seeds to Transform Behaviour

Our staff are the most valuable asset, and also the ambassadors, of Sa Sa. We therefore place great importance on enhancing the environmental awareness and engagement of our staff. We understand that our commitment to preserving the beauty of the planet requires we all mobilise as an organisation.

As waste reduction was a focus of our internal engagement programme in 2018, we organised a series of activities during the year to engage our staff in responsible waste management.

Colleagues joining the party with their own tableware

Green Takeaways

We noticed that many of our office and frontline colleagues order takeaways for lunch but do not have the habit of bringing their own reuseable takeaway boxes or cutlery. This resulted in large numbers of single-use Styrofoam or plastic takeaway boxes being discarded to landfill. In response, the company's Chairman Dr KWOK Siu Ming Simon and Vice-chairman Dr KWOK LAW Kwai Chun Eleanor decided to use part of funds collected from the shopping bag levy to finance the production of reusable cutlery and foldable lunch boxes for our 3,000 employees. We can all do our part to reduce the waste we generate, and set an example for others to follow.

Green Christmas

For the first time, Sa Sa organised a special Christmas party with no disposable utensils provided! Before the party, we sent electronic reminders to our colleagues, reminding them to bring their own reusable utensils to the party. We also rented 500 sets of cutleries from WeUse, a tableware rental service company, as back-up. Among the close to 500 party-goers, only 50 people used the rental cutleries: 90% brought their own. Apart from Christmas party, we have also stopped providing single-use utensils in other social gatherings organised by the company, such as monthly birthday parties.

Colleagues supporting our Green event

Green Lunch

Each year, we organised a Green Lunch to raise environmental awareness among our frontline and office staff. This year, we invited Green Earth and SEE Network to discuss the topics of plastic pollution and the importance of reducing packaging waste. Vegetarian meals in buffet style were served at this learning and networking occasion. About 300 colleagues participated in the four activities organised this year.

Green packets for the New Year

In 2019, Sa Sa sponsored and participated in the Red Packet Reuse and Recycling Programme organised by Greeners Actions for the sixth consecutive year. Collection boxes were placed at our offices and across 50 retail stores. We collected 1,620kg of red packets during this festive season. With an average of 400 red packets per kilogram, this amounted to approximately 650,000 red packets, equivalent to saving 33 trees. [1]

Sa Sa supports the Red Packet Reuse and Recycling Programme

Upcycling Waste

From turning used coffee grounds into handmade soap, to participating in a computer donation programme, we aim to support our employees to rethink 'waste' as a resource. We held a soap-making workshop, where 40 colleagues upcycled coffee grounds to produce a wonderfully exfoliating soap additive. For the 10th year, we collected unwanted computers from the office and from colleagues' donations for recycling through Caritas Computer Workshop. This year, 81 items were collected, including desktop computers, monitors, laptop computers and printers.

Coffee ground upcycling workshop

Colleagues handmaking soap with coffee ground

[1] According to the organising group, 320 million red packets are equivalent to cutting down 16,300 trees. And therefore 650,000 red packets is equivalent to 33 trees.

Inspiring Beauty in the Community

Elderly home visit to show our supportive care

"I am often deeply moved when I participate in charity work. In one of the most memorable events, we trained more than 200 elderly people to be Beauty Ambassadors. These Ambassadors then provided make-up service at homes for the elderly, and the elderly people became very beautiful and engaged. I was very affected by their smiles of joy. I believe that everyone has the right to be beautiful, and this belief reinforced my conviction to contribute to society. I hope more people can benefit from experiences like this."

Dr KWOK LAW Kwai Chun Eleanor, *BBS, JP*
Vice-chairman

Our Aspirations

A thriving community is a prerequisite for the success of our business. We place great importance in being a responsible corporate citizen. Giving back to empower the community to make life beautiful has been one of Sa Sa's values from the start.

Our Challenges

Since Sa Sa was founded in 1978, we have witnessed the flourishing of Hong Kong and braved different challenges along the way, together with our fellow citizens. Ageing population and wealth disparity are two key challenges afflicting Hong Kong. The elderly population continues to rise, as does the number of people in poverty. By 2030, one in four Hong Kong residents will be 65 years old or above; already, one in seven are living in poverty, a record number.

Our Chairman Dr KWOK Siu Ming Simon and Vice-chairman Dr KWOK LAW Kwai Chun Eleanor rose to success from humble beginnings. They empathsise with the plight of the have-nots, and actively participate in charitable programmes in the community, especially in caring for the underprivileged elderly. The community has supported our business to grow and thrive, and will continue to do so – as long as we help it to thrive in turn.

Our Approach

We have a long-standing commitment to community development. We collaborate with community organisations to support those in need to rise above the challenges and difficulties they face in life. We are committed to our vision of *making life beautiful* and seek to become a beacon of hope for people and families in need by responding to their needs, and empowering them to make life beautiful.

Supporting Women to Develop Their Careers

About 80% of Sa Sa's employees are women, and most of our frontline staff are secondary school graduates (mostly Form 5 or 7) without any prior work experience. Their career choices might be limited by not having a formal qualification from a tertiary education institute. We offer them comprehensive on-the-job training, and a clear development path, with the potential to progress from a Sales Trainee to a Junior Beautician Trainee, then Beauty Consultant, Senior Beauty Consultant, Big Sisters or Big Brothers, Assistant Shop Supervisor, Shop Supervisor, and finally Operations Manager with oversight over 10-odd shops. For employees whose education level is not high, what Sa Sa provides is not only a job, but also a profession with prospects, and a life-long career path.

"I was not good at studying. My career and everything I have right now was given by Sa Sa. I have to thank my line manager, Eva, who supported me and trusted me since I was 18. Eva offered me countless opportunities to grow and develop, and made me the person I am today."

Pinky Fu – *Assistant Supervisor*

Started as a Junior Beautician Trainee 13 years ago, now an Assistant Supervisor

Sa Sa supports Pink Heels Race

Pink Heels Race

Sa Sa has sponsored and participated in the Pink Heels Race for seven consecutive years, raising public awareness of breast and ovarian cancer, and the importance for women having health checks. This year, we raised a total of HK$46,000 to support the Hong Kong Hereditary Breast Cancer Family Registry. Our colleagues even won the second prize in the 2018 "Quadrathlon Team Race".

Breast cancer is one of most common types of cancer among women. Statistics show that one in 15 women may fall victim to breast cancer, and the mortality rate is 17.7%.[1] Sa Sa will continue to support medical research on breast cancer, contributing to efforts to develop preventive measures.

[1] 2016 Statistics from Hong Kong Cancer Registry, Hospital Authority.

Sa Sa Sincere volunteers and the youths joined to foster inter-generation harmony

Bridging the Generation Gap

Communicating across the years

Digitalisation is bringing radical change to the way we live and communicate. Rapid technological advances, that put electronic devices at the heart of many aspects of daily life, have made it increasingly difficult for the elderly to cope. Young people, on the other hand, are receptive to new technology but often neglect the importance of face-to-face interactions. These differences have led to an intergenerational gap between the old and the young.

Sa Sa has therefore collaborated with our long-term partner, Po Leung Kuk, in developing a new two-year Sa Sa Making Life Beautiful Charity Scheme, in a bid to foster cross-generational communication and collaboration. The scheme takes reference from the learning model of STEAM: science, technology, engineering, art and mathematics. Through it, we recruit both young people and the elderly as Intergeneration Ambassadors, and seek to collaboratively establish a new mode of communication across generations that are founded on care and mutual understanding. Through a series of activities, such as technology exhibitions and dramas, participants are encouraged to learn, to listen, to share and to appreciate each other.

Inspiring care through creativity

The first programme organised successfully under the scheme was an Intergeneration Video-making Competition, with the theme of *Intergenerational Care*, using film-making to explore how people of different generations can communicate harmoniously with each other. The theme is well aligned with Sa Sa's aspirations of empowering the community to make their lives beautiful.

Sa Sa's professional video production colleagues from the multi-media content management team offered three training sessions to the participants, equipping them with the basic skills, from developing the plot, to shooting and video editing, for making their own videos. Shum Shui Po was the select community for the programme.

Shum Shui Po is one of the districts with the most severe age-related problems in Hong Kong. Here, many elderly are living alone and in poverty with inadequate social support. Through this programme, we want to let the elderly know that society has not forgotten them.

"The elderly are sometimes regarded as a 'burden' to society. At Sa Sa, we believe it is essential that society becomes more inclusive across the generations. We hope that the Sa Sa Making Life Beautiful Charity Scheme can encourage young people and children to interact with the elderly and understand their genuine situations and needs. We believe that this can plant the seeds of inclusion, fighting prejudice against the elderly and improving their status and wellbeing in our society."


Elderly home visit to express our care

Youths being coached to prepare for the video-making competition

Winners of the Intergeneration Video-making Competition

'Warm Heart', Champion of the Student Group

Through blackboard drawings and reflections on moments of life in Shum Shui Po, this video tells a story to share the message of inclusion. In particular, it encourages young people to initiate the first step to connect with the elderly.

'Grandma and Granddaughter', Champion of the Open Group

Filmed with a granddaughter's mobile phone, this winning video records her journey of revisiting Shum Shui Po with her grandmother. Through the grandmother's recollections of growing up in Shum Shui Po, the video aims to impress on the audience the importance of cross-generational understanding.

Joining Hands for a Stronger Community

Employee volunteering is an integral part of our community engagement strategy. This year, we engaged close to 500 employees across the company and devoted a total of 738 hours to serve those in need in the community, making our society a more beautiful place. We also organised 12 employee volunteering programmes.

In 2019/20, we will continue to invest and participate in different community service and charitable giving programmes, including supporting our long-term partners Po Leung Kuk and Community Chest in their work to make a difference in the community, and rallying our employees to pitch in and serve the community.

Celebrating Our Seasons with the Elderly

Hong Kong population is ageing rapidly. In just over a decade, the population of those aged 65 or above is expected to increase from 18 % in 2018 to 26% in 2030. We have a long-standing commitment to caring for the elderly, in particular those living alone and without adequate support. We work closely with Po Leung Kuk on District Elderly Campaign. Apart from offering charitable donation to support their work, we also engage our volunteer team to visit and serve the elderly, bringing beauty to the life of these elderly.

Our colleagues took part in the community visit

Sa Sa Sincere volunteers and their families paid home visit to elderly sharing festival spirit

- During the last Tuen Ng Festival and Mid-autumn Festival, members of Sa Sa Sincere volunteer team and their families visited the elderly living in Tseung Kwan O in June and September, sharing gifts and celebrating with the elderly.
- In December, Sa Sa Sincere volunteers also participated in the community visit to Tseung Kwan O, arranged by Po Leung Kuk. Our volunteers brought along gifts and daily essentials for the elderly, helping them to get ready for the Winter Solstice.
- For Chinese New Year, our employees and their families also paid home visits to the elderly in Tseung Kwun O, bringing gifts and sharing the festive spirit with them.

Coming Together to Alleviate Poverty

Sa Sa has worked closely with different community organisations over the years, participating in a wide range of fundraising activities, including runs and walkathons organised by the Community Chest and Po Leung Kuk to support the underprivileged in Hong Kong and rural parts of Mainland China.

Sa Sa Sincere runners and cheerleaders took part in the Heifer Race to Feed 2018, which aims to alleviate poverty in Mainland China. We achieved encouraging results, winning the championship in Male 10K Run and 4th prize in Female 10K Run, and coming tenth in the 1km x 5 Relay Run. Altogether, we raised HK$100,000 for donation to Heifer.

Sa Sa participated in different charity walk and run activities

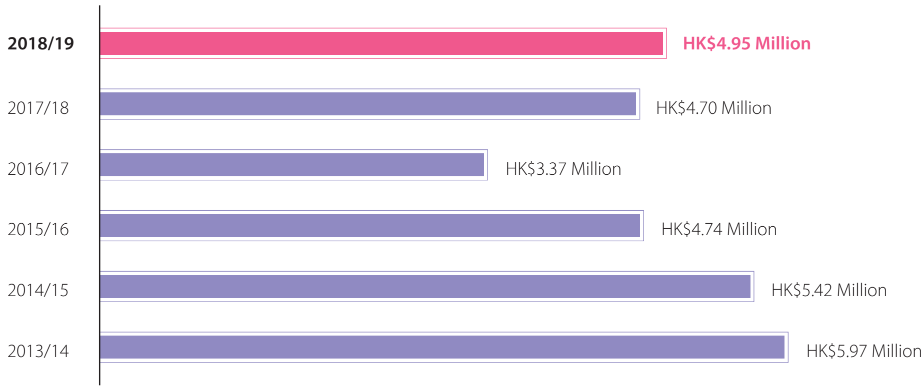
Volunteering with Sa Sa Sincere

Sa Sa Sincere volunteer team was established in 2013 with the aim of bringing together colleagues who share the passion of caring for the community to jointly make a difference in our society. To encourage staff to take part, colleagues and their family members are awarded certificates of attendance and supermarket coupons as a token of recognition for their support.

To further our commitment to the community, we formed a Charity Committee in 2016 and invited representatives from all major departments to join. The committee provides a platform for colleagues to exchange ideas on how we may work together to inspire more positive change in the community.

Sa Sa Making Life Beautiful Charity Fund

Established in 2013, Sa Sa Making Life Beautiful Charity Fund seeks to make life beautiful in the community by fostering intergenerational harmony and empowerment. Under the leadership of our Chairman Dr KWOK Siu Ming Simon and Vice-chairman Dr KWOK LAW Kwai Chun Eleanor, the fund donated HK$4.95 million in 2018/19 to causes promoting the wellbeing of the elderly and underprivileged families, as well as the empowerment of youth and women.



About this Report

The Scope of the Report

This is the seventh ESG Report of Sa Sa International Holdings Limited, covering Sa Sa's progress and highlights in sustainable development from 1 April 2018 to 31 March 2019.

Unless otherwise stated, the ESG Report covers Sa Sa's operations in Hong Kong and Macau only. These markets represent the core of all our operations, contributing to more than 80% of the Group's turnover in the year that ended on 31 March 2019.

The Standards and Assessment of the Report

This Report is prepared in accordance with the 'Comply or Explain' and 'General Disclosure' provisions in the ESG Reporting Guide, which can be found under Appendix 27 to the Listing Rules of HKEx. We confirm that this Report has adopted, and is in full compliance with, the 'Comply or Explain' and 'General Disclosure' provisions. Reference to the relevant KPIs can be found in the HKEx ESG Reporting Guide Content Index (pages 106 to 107).

Feedback

Readers are invited to share their thoughts and suggestions on our ESG Report or our sustainability performance by filling out the online survey, or emailing us at esg@sasa.com.

Understanding Our Priority Issues

The key to assessing our ESG strategy in terms of meeting stakeholders' needs is 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% of all issues identified (14 out of 46) as "most material" by combining the views of all key stakeholders on what is important to them. In addition, by reviewing the top ten important issues for each key stakeholder and identifying issues that were not covered under "most material" issues, we have compiled a list of eight "moderately material" issues. This process ensures that the strong concerns of any single stakeholder will be addressed in our subsequent strategies and 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 collectively as Key Issues, around which our activities, reviews and planning are centered.

In the process of developing our sustainability framework in 2019, we plan to further engage with our key stakeholders such as employees and customers to ensure that our priority issues align with their key concerns.

Key Issues

The 22 issues prioritised by our stakeholders are listed here, alongside where they are addressed in this Report.

Employment and Labour Practices

(addressed under "Making Life Beautiful for People" section)

- Staff Benefits, Welfare, Holidays and Working Hours
- Staff Training and Capacity Building
- Performance Review and Promotion
- Employee Engagement and Social Dialogue
- Corporate Governance[1]
- Staff Retention, Turnover and Dismissal
- Equal Opportunity, Non-Discrimination, Staff Diversity and Human Rights
- Occupational Safety, Health and Security

Operating Practices

(under "Making Life Beautiful for People" section)

- Product Responsibility, Health and Safety
- Quality Customer Service and Management
- Quality Assurance
- Supply Chain Management
- Consumer Data Protection and Privacy[1]
- Legal Compliance in Operation[1]

Community Investment

(under "Beautifying the Community" section)

- Charity, Community Involvement & Investment

Environmental Protection

(under "Preserving the Beauty of the Planet" 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

[1] For details please refer to the CG Report (pages 108-134) and the ERM Report (pages 135-143).

Social[1]		2018/19	
Total headcount in Hong Kong and Macau		3,049	
By gender			
Male		640	
Female		2,409	
By age group			
Under 36		1,635	
36-55		1,282	
Over 55		132	
By employment type			
Full-time		2,653	
Part-time / temporary		396	
Average hours of training per employee and percentage (%) of employees who received training[2]		13.6 (59.0%)	
By gender			
Male		12.0 (58.9%)	
Female		14.1 (58.4%)	
By employee category			
Management[3]		4.4 (33.3%)	
Managers		2.5 (57.1%)	
All other employees		15.7 (59.2%)	
Work-related fatality	cases	0	
Work-related injuries	cases	35	
Lost days due to work injury		1,133.5	
Average days of sick leave taken by employee per month		0.25	
		Overall	Excluding employees who left during probation period
Employees turnover rate[4]		36.5%	21.5%
By gender			
Male		16.5%	10.0%
Female		54.3%	31.8%
By age group			
Under 36		45.8%	29.0%
36 – 55		27.6%	13.4%
Over 55		11.7%	11.7%

Data Footnotes:

1 We have refined the scope of social data to cover employees in Hong Kong and Macau operations only, in line with our ESG reporting scope.

2 Training refers to all types of vocational training and workshops, conferences or seminars on industry developments pursued internally or externally; It covers full-time employees only; average hour of training is based on the total number of employees as at 31 March 2019.

3 For the purpose of this ESG report, "management" refers to senior management on page 65 of this annual report, and all vice-presidents, department directors and associate directors.

4 We revised the methodology for employees turnover for easier comparison and understanding of readers.

Environmental		Unit	2018/19	2017/18	2016/17	2015/16	Baseline 2014/15
GHG emissions[1]		tCO_2e	14,873	15,867	17,216	17,916	19,498
Scope 1	Company-owned transport fleet and employee-owned vehicles used for business purposes	tCO_2e	156	151	159	148	137
Scope 2	Purchased electricity used in our offices, logistics centres and stores[2]	tCO_2e	14,364	15,303	16,619	17,511	19,063
Scope 3	Business air travel	tCO_2e	66	85	92	125	143
	Fresh water supply and sewage treatment	tCO_2e	10	16	17	19	18
	Paper disposal at landfills[3]	tCO_2e	88	99	72	112	137
	Transport fleet owned by the external logistics providers[4]	tCO_2e	204	213	242	–	–
Carbon intensity		kg CO_2e/m^2	255	225	300	311	363
		kg CO_2e/HK$1m revenue	2,097	2,347	2,747	2,858	2,663
Electricity consumption		MWh	23,534	24,329	24,941	26,406	26,392
Stores		MWh	18,876	19,996	20,919	22,504	23,105
Offices		MWh	1,564	1,584	1,623	1,629	1,407
Logistics centres		MWh	3,094	2,750	2,399	2,273	1,880
Electricity intensity		kWh/m^2	403	345	434	458	491
		kg CO_2e/HK$1m revenue	2,025	2,263	2,652	2,793	2,604
Water consumption		m^3	16,198	26,495	28,495	33,515	30,691
Water intensity		m^3/m^2	0.28	0.38	0.50	0.58	0.57
		kg CO_2e/HK$1m revenue	1.34	2.30	2.67	3.03	2.44
Vehicle fuel consumption		'000L	130,697	127,364	140,458	54,323	50,119
Company-owned transport fleet and employee-owned vehicles used for business purposes		'000L	61,683	55,224	58,658	54,323	50,119
Transport fleet owned by the external logistics providers[4]		'000L	69,014	72,140	81,800	–	–
Vehicle fuel efficiency		L/m^2	2.24	1.81	2.44	0.94	0.93
		kg CO_2e/HK$1m revenue	51	54	64	24	19
Vehicle sulphur oxides (SOx) emissions		g	1,972	1,915	2,115	–	–
Paper consumption		kg	37,510	41,544	43,176	47,771	47,056
		'000 pcs	7,508	8,304	8,631	9,547	9,316
Paper use intensity		pcs/headcount	2,462	2,713	2,757	3,028	2,872
		kg CO_2e/HK$1m revenue	10	15	14	18	19
Business air travel		'000 km travelled	447	578	595	804	929
Business air travel intensity		km travelled/headcount	147	189	190	255	286
		kg CO_2e/HK$1m revenue	9	13	15	20	20
Carton box consumed		'000 pcs	376	405	411	305	–
Shopping bag consumption[5]		'000 pcs	2,805	2,529	2,646	2,866	3,010
Shopping bag consumption intensity[5]		pcs/transaction	0.180	0.178	–	–	–
General waste							
Office		kg	22,308	25,143	26,043	23,907	–
Store[6,8]		kg	581,660	–	–	–	–
Hazardous waste		kg	Footnote 7	–	1,696	3,874	–
Waste collected for recycling							
Paper							
Office		kg	22,412	20,816	24,894	24,369	18,602
Logistics centre[8]		kg	232,600	–	–	–	–
Plastic							
Office		kg	294	161	102	38	–
Logistics centre[8]		kg	20,702	–	–	–	–
Aluminium		kg	91	102	87	65	–

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 EMSD & EPD.

2 Emissions associated with electricity purchased are calculated based on the latest available emissions factors provided by the power companies

3 Cover the printing paper used in office, logistics center and stores only. Carton box used for logistics purpose and other printing materials (e.g. promotion leaflet) are not included. Emissions avoided by recycling paper from office have been incorporated.

4 Includes the fuel used for distribution of goods from logistic centres to stores only.

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

6 It is arrived at by multiplying the quantity of rubbish bags purchased during the year by the average weight of a rubbish bag, which weight is estimated based on the sampling results of six surveyed stores of which two were "local stores", two were "tourist stores", and two were "mixed stores".

7 The quantity of hazardous waste generated in 2018/19 did not reach the threshold for processing.

8 Newly reported item.

Due to rounding, numbers presented may not add up precisely to the totals provided.

Subject Areas, Aspects, General Disclosures and KPIs		Page 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 GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	84 Environmental Policy
KPIA1.1	The types of emissions and respective emissions data	85, 105
KPIA1.2	Greenhouse gas emissions in total and, where appropriate, intensity	85-86, 105
KPIA1.3	Total hazardous waste produced and, where appropriate, intensity	105
KPIA1.4	Total non-hazardous waste produced and, where appropriate, intensity	105
KPIA1.5	Description of measures to mitigate emissions and results achieved	85-87
KPIA1.6	Description of how hazardous and non-hazardous waste is handled, reduction initiatives and results achieved	90-95
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources including energy, water and other raw materials	84 Environmental Policy
KPIA2.1	Direct and/or indirect energy consumption by type in total and intensity	86, 105
KPIA2.2	Water consumption in total and intensity	87, 105
KPIA2.3	Description of energy use efficiency initiatives and results achieved	85-87, 91
KPIA2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	There is no issue in sourcing water that is fit for purpose.
KPIA2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	90-91
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies to minimise the issuer's significant impact on the environment and natural resources	84 Environmental Policy
KPIA3.1	Description of significant impacts of activities on the environment and natural resources and the actions taken to manage them	88
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	81 Employment Policy
KPIB1.1	Total workforce by gender, employment type, age group and geographical region	75, 104
KPIB1.2	Employee turnover rate by gender, age group and geographical region	104
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	81 Health & Safety Policy
KPIB2.1	Number and rate of work-related fatalities	104
KPIB2.2	Lost days due to work injury	104
KPIB2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	81

Subject Areas, Aspects, General Disclosures and KPIs		Page 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	74, 76-69 Employment Policy, Training and People Development Policy
KPIB3.1	The percentage of employees trained by gender and employee category	104
KPIB3.2	The average training hours completed per employee by gender and employee category	104
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	81 Employment Policy
KPIB4.1	Description of measures to review employment practices to avoid child and forced labour	81 Employment Policy
KPIB4.2	Description of steps taken to eliminate child and forced labour practices when discovered	81
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	89 Responsible Product and Supply Chain Policy
KPIB5.1	Number of suppliers by geographical region	82
KPIB5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	82-83, 88-89
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	82-83 Responsible Product and Supply Chain Policy
KPIB6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	82
KPIB6.2	Number of products and service-related complaints received and how they are dealt with	83
KPIB6.3	Description of practices relating to observing and protecting intellectual property rights	83
KPIB6.4	Description of quality assurance process and recall procedures	82-83
KPIB6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	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	81
KPIB7.1	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	81
KPIB7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	81
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	96 Environmental, Social and Corporate Governance Policy
KPIB8.1	Focus areas of contribution	97-101
KPIB8.2	Resources contributed to the focus areas	101

Corporate Governance Report

"At Sa Sa, we recognise the importance of good corporate governance in delivering long-term, sustainable results. We are therefore committed to maintaining the highest standards of corporate governance."

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

Highlights in Corporate Governance Practices for 2018/19

Below are the highlights of our ongoing initiatives for the development of our corporate governance practices during the year ended 31 March 2019:

Active Participation of Directors

Our directors continued to participate and contribute to the Company's affairs actively. Five board meetings and 18 board committee meetings were held in the year with 100% participation rate by the directors in board meetings and meetings of the Audit Committee, Nomination Committee and Remuneration Committee. Representatives from management attended some of these meetings ensuring a two-way flow of information and organisational effectiveness.

Board Evaluation

Our last board evaluation was conducted in 2016. Recognising that Board's performance and effectiveness is central to corporate governance, a decision was made in the financial year to conduct another more in-depth evaluation in the year 2019/20. Going forward, the Board is committed to reviewing its own performance and effectiveness at regular intervals of around two years.

Process Improvement and Policy Enhancement

- We continued to improve our governance process through raising awareness, and the use of plain language and illustrations. Improvements were made to the Inside Information Policy, connected transactions guide and declaration documents, and the Model Code related documentation during the year.
- Policy-wise, we have updated our Board Diversity Policy and Nomination Policy, and adopted a written Dividend Policy, as to which, please see pages 114, 115 and 121.

Continuous Professional Developments

Our directors enhanced and refreshed their skills primarily through:

- regular review of market, industry and regulatory updates;
- external seminars and workshops;
- internal briefings provided by the Company Secretary; and
- in-house trainings or executive workshops provided by external consultants organised by the Company.

The focused areas in the year 2018/19 were cyber security, Hong Kong Financial Reporting Standards (HKFRS) 16, changes to the Listing Rules and Corporate Governance Code, and sustainability.

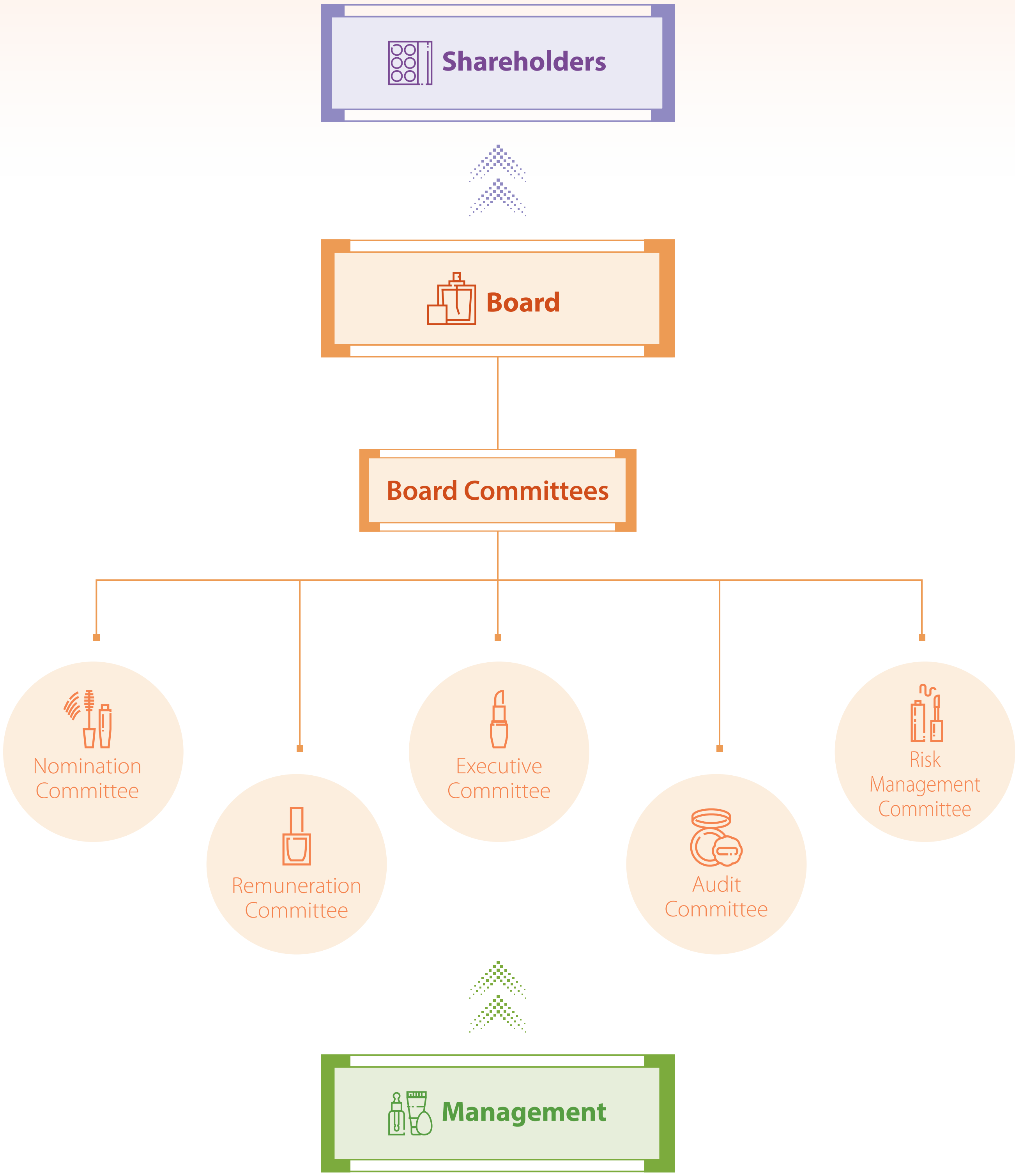
Compliance with Corporate Governance Code (CG Code)

The CG Code is the standard against which we measure ourselves. Throughout the year ended 31 March 2019, we have complied with all but one of the code provisions in the CG Code, but we also exceeded the CG Code in the following aspects:

- ✓ Conducts board evaluation periodically.
- ✓ 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 terms 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 performance for all four quarters of the financial year as well as sales updates of our retail business in Hong Kong and Macau after the Chinese New Year, Labour Day Holiday and the National Day Golden Week Holiday.
- ✓ 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 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.
- ✓ The Audit Committee, Remuneration Committee and Nomination Committee are all chaired by an independent non-executive director.

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 Governance Structure



Corporate Governance at Sa Sa

LEADERSHIP
- Clear division of responsibilities between the Board, Board committees and management
- Diversified Board with multiple perspectives and a balanced mix of skills and experience

EFFECTIVENESS
- Conducted Board evaluation for improving effectiveness
- Clearly established procedures and process

ACCOUNTABILITY
- Robust corporate governance structure, and rigorous internal control and risk management systems
- Our Board views corporate governance as more than simply compliance

COMMUNICATION WITH SHAREHOLDERS
- Transparency
- Regular communication

Leadership

Composition of the Board and Board Committees

Board

Dr KWOK Siu Ming Simon (Chairman and Chief Executive Officer)	Ms LEE Yun Chun Marie-Christine
Dr KWOK LAW Kwai Chun Eleanor (Vice-chairman)	Ms TAM Wai Chu Maria
Dr LOOK Guy (Chief Financial Officer)	Ms KI Man Fung Leonie
	Mr TAN Wee Seng

Audit Committee	Nomination Committee	Remuneration Committee
Mr TAN Wee Seng (Chair)	Ms TAM Wai Chu Maria (Chair)	Ms KI Man Fung Leonie (Chair)
Ms TAM Wai Chu Maria	Dr KWOK LAW Kwai Chun Eleanor	Dr KWOK LAW Kwai Chun Eleanor
Ms KI Man Fung Leonie	Ms KI Man Fung Leonie	Ms TAM Wai Chu Maria

Executive Committee	Risk Management Committee
Dr KWOK Siu Ming Simon (Chair)	Dr KWOK Siu Ming Simon (Chair)
Dr KWOK LAW Kwai Chun Eleanor	Dr KWOK LAW Kwai Chun Eleanor
Dr LOOK Guy	Dr LOOK Guy

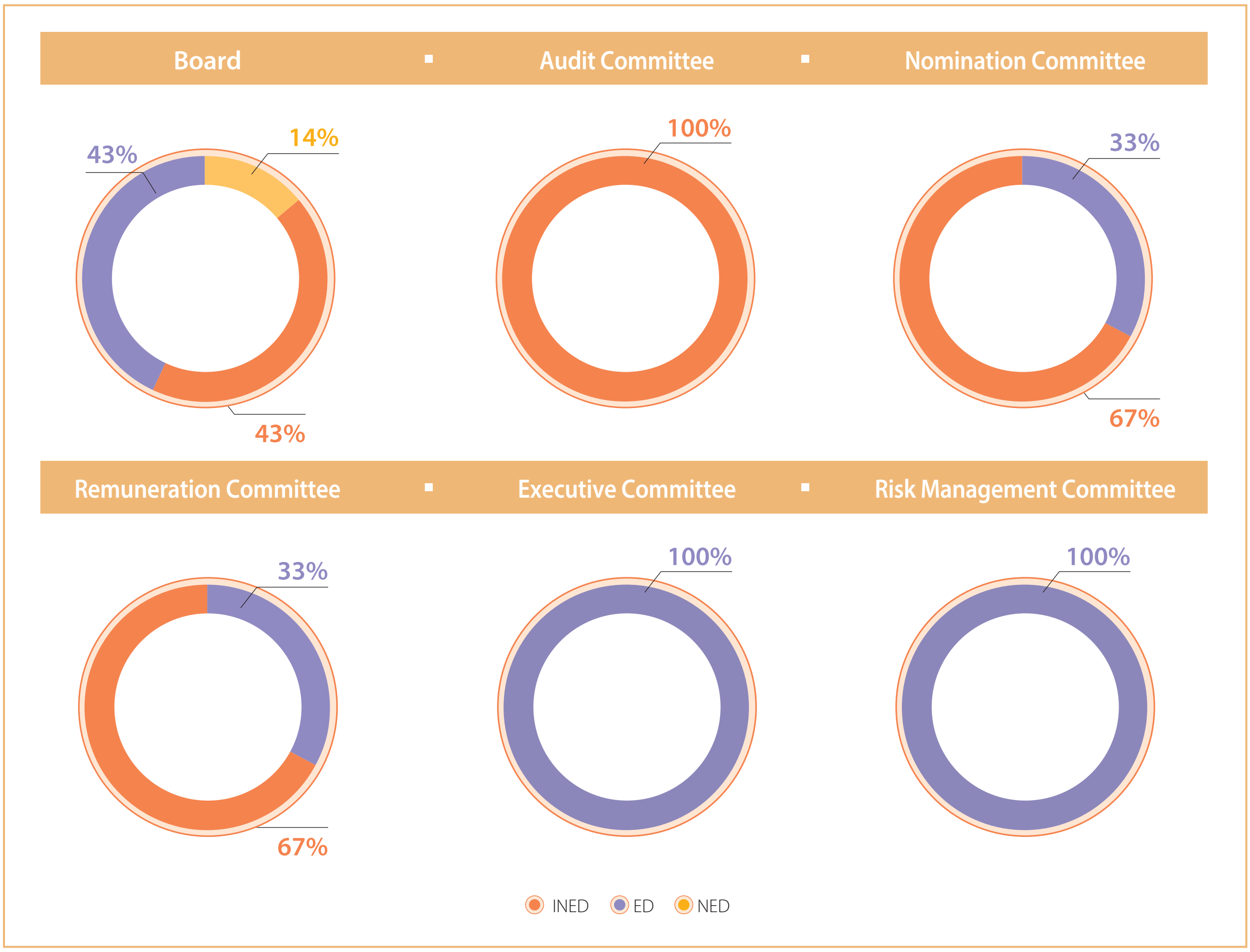
The Board has a balanced composition, comprising three executive directors, one non-executive director and three independent non-executive directors. This composition well fulfils the parameters of the CG Code, which requires listed issuers to have independent non-executive directors representing at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

The biographical details of each of our directors, including the relationship between Board members, are set out on pages 60 to 65 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 Stock Exchange's website and our corporate website.

Independence

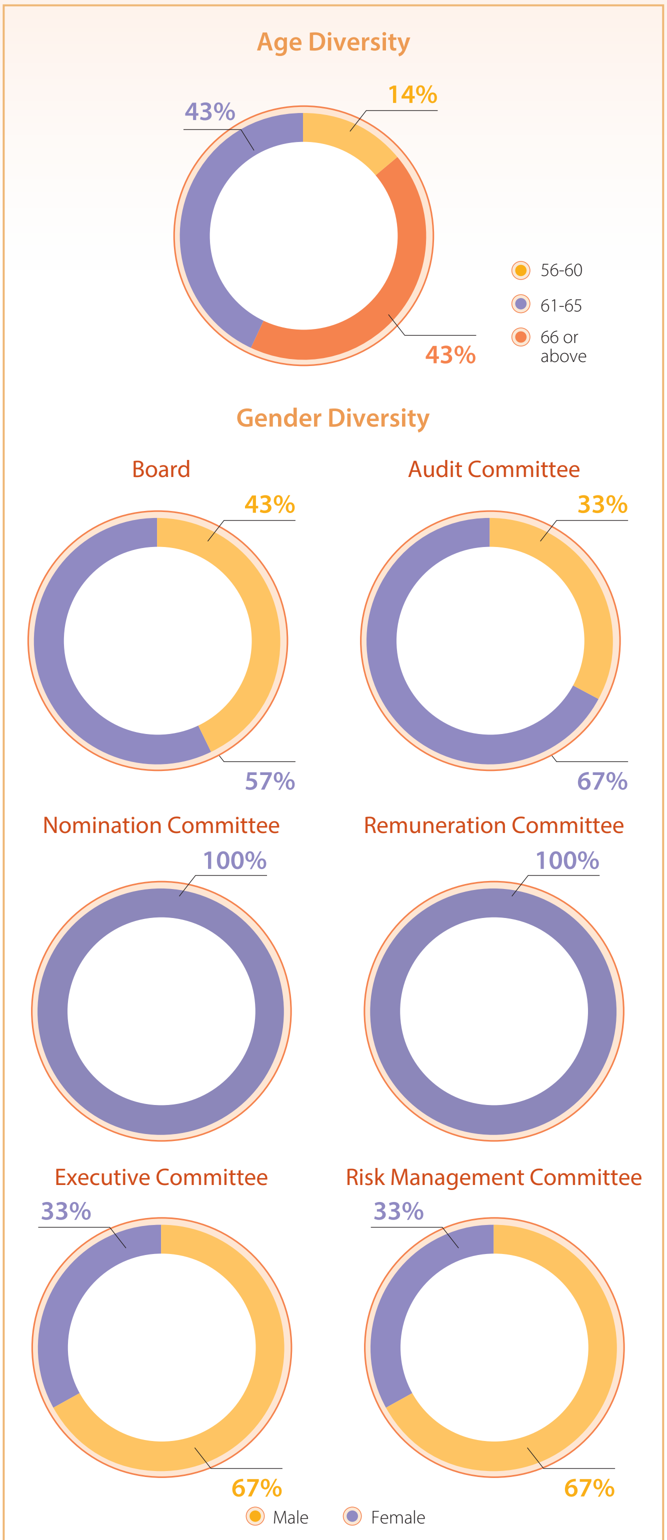
We have a strong element of independence on the Board, providing independent and objective oversight on strategic issues and performance matters. The Audit Committee, Remuneration Committee and Nomination Committees are each chaired by an independent non-executive director.

Board Independence



All our INEDs have served as our Board members for more than nine years. While this could be relevant to the determination of independence, 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. Our INEDs, 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 valuable insights derived from their in-depth knowledge of the Company. The Board is of the view that each of our INEDs meets the independence guidelines set out in Rule 3.13 of the Listing Rules and that they are able to continue to fulfill their roles as required.

Board Diversity



We recognise the benefit and value of diversity across the organisation, and endorse the view that a diverse board, with a breadth of perspective, is one of the key drivers of an effective board.

We have a highly diversified Board in terms of gender, academic background, nationality, professional experience, and industry experience. 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. Collectively, the Board possesses experience in retail, finance and accounting, law, branding and marketing, talent management, China market, community services and management.

During the year, we further enhanced our Board Diversity Policy, committing to consider the benefits of all aspects of diversity in the consideration and review of Board composition. While the ultimate decision of all board appointments would be based on meritocracy and the contributions that the director candidate is expected to bring, both the Nomination Committee and the Board would give considerable weight to ensuring a diverse board with balanced composition.

The Diversity Policy reinforces the significant role women directors play in the Company and pledges to ensure a strong female representation at Board level. Women directors made up 57% of our Board members as at 31 March 2019. The policy will be reviewed periodically to ensure it remains relevant to the Company's needs and reflects both regulatory requirements and good corporate governance practices. A full version of the policy is set out below. It can also be found on our corporate website.

Diversity of expertise

- Retail
- Finance and Accounting
- Law
- Branding and Marketing
- Talent Management
- China Market
- Community Services
- Management

Board Diversity Policy

Purpose

1. The Company recognises the benefit and value of diversity across the organisation, and endorses the view that a diverse board, with a breadth of perspective, is one of the key drivers of an effective board.

2. This policy sets out the framework in achieving board diversity in the Company.

Policy Statement

3. In considering and reviewing board composition, both the Nomination Committee and the Board will consider the benefits of all aspects of diversity, including age, gender, skills, knowledge, experience, expertise, professional and educational qualifications, background and other personal qualities of the directors. While the ultimate decision of all board appointments would be based on meritocracy and the contributions that the director candidate is expected to bring, considerable weight would be given to ensuring a diverse board with balanced composition.

Measurable Objectives

4. Women directors will continue to play a significant role in the Company and the Board will ensure there is strong female representation at board level.

Review and Monitoring

5. This policy will be reviewed periodically to ensure it remains relevant to the Company's needs and reflects both regulatory requirements and good corporate governance practices.

Language Version

6. The text of this policy appears in both English and Chinese languages. In case of discrepancy, the English version shall prevail.

Approval of this Policy

7. This policy was first adopted by resolutions of the directors passed on 16 August 2013, and last amended by resolutions of the directors passed on 20 February 2019.

Appointment and Re-election of Directors

All our NEDs (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 Annual General Meeting (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 in the year under review.

Dr LOOK Guy, Ms TAM Wai Chu Maria and Mr TAN Wee Seng will retire from office by rotation at the AGM to be held on 2 September 2019. Dr LOOK Guy and Mr TAN Wee Seng, being eligible, will offer themselves for re-election by the shareholders at the AGM. Ms TAM Wai Chu Maria, after having served on the Board for more than 15 years, will retire as INED of the Company upon conclusion of the AGM. Further details in relation to the re-election of directors will be set out in the circular which will be dispatched to Shareholders together with the notice of AGM.

Nomination Policy

Our Nomination Policy setting out the criteria and procedures to be adopted when considering director candidates to be appointed or re-appointed as directors was first adopted by the Board in 2012. The policy was last amended in the financial year ended 31 March 2019. One of the policy objectives is to ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

Our Nomination Criteria

When selecting a candidate to be nominated for directorship or re-appointment, considerations will be given to the following:

(a) age, gender, skills, knowledge, experience, expertise, professional and educational qualifications, background and other personal qualities of the candidate;

(b) effect on the board's composition and diversity;

(c) ability and commitment of the candidate to devote sufficient time to effectively carry out his/her duties. In this regard, the number and nature of offices held by the candidate in public companies or organisations, and other executive appointments or significant commitments should be considered;

(d) potential/actual conflicts of interest that may arise if the candidate is selected;

(e) the contributions that the candidate is expected to bring;

(f) independence of the candidate; and

(g) other factors considered to be relevant on a case by case basis.

The following is a summary of the nomination procedures and process adopted by the Company for newly appointed directors. In cases of re-appointment of existing directors, a physical meeting would be held to consider the re-appointment based on the criteria set out above.

Nomination Committee

- Identifies or selects candidates, with or without assistance from external agencies or the Company, pursuant to the criteria set out above
- May use any process it deems appropriate to evaluate the candidates, which may include personal interviews, background checks, presentations, written submissions by the candidate or third party reference
- Holds a physical meeting to consider the matter and would avoid the making of decisions by written resolutions unless it is impractical that a physical meeting be held
- Provides all relevant information and makes recommendation to the Board, including the terms and conditions of the appointment
- If approved by the Board, the appointment would be confirmed by a letter of appointment approved by the Nomination Committee

Board

- Deliberates and decides on the appointment based upon the recommendation of the Nomination Committee
- Newly appointed directors may only hold office until the next AGM of the Company under the articles of association of the Company. If eligible, they would stand for election by the shareholders at the first AGM following their appointment. A circular accompanying the notice of the AGM containing all relevant information would be sent to shareholders by the Board

Shareholders

- Vote on the directors' election at the Company's 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 INEDs without the presence of other directors every year since 2012. In his capacity as the CEO of the Company, Dr Kwok meets with the other executive directors and management team regularly to ensure that issues requiring attention are handled efficiently and in a timely manner.

A summary of the respective roles of the Chairman and the CEO is set out below:

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

Chairman	CEO
Board Business and Discussion • The Chairman: – draws up the agenda for each Board meeting with the assistance of the Company Secretary; – ensures that all directors are properly briefed on issues arising at the Board meetings and on all other 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 which should be adequate, accurate, clear, complete and reliable; 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 stakeholders' views.	**Quality Information for the Board** • With the support and assistance of the Company Secretary and management, provides the Board with high quality information and recommendations to enable informed decisions to be made.

Executive Directors

In the year ended 31 March 2019, our Executive Directors comprise the Chairman and 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 pages 124 and 128.

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 judgements. 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, and that the majority of the members of the Nomination Committee and Remuneration Committee are INEDs.

The Board and the Management

The Board is responsible for the overall conduct of the Group's affairs 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 refers to senior management on page 65 of this annual report, and all vice-presidents, department directors and associate directors. They are responsible for the day-to-day operations, management and administration of the Group under the leadership of the Executive Directors (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 the management, which is available on our corporate 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, six separate management meetings chaired by the CEO 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

Meetings in 2018/19

April	May	June	July	August	September	October	November	December	January	February	March
B A R E RM	E	B A N	RM	E	AGM B A E RM		B A RM		E	B	E RM

AGM = Annual General Meeting B = Board A = Audit Committee R = Remuneration Committee
N = Nomination Committee E = Executive Committee RM = Risk Management Committee

Attendance at Meetings

The following table shows the attendance of Directors at Board meetings, Board Committee meetings and AGM held during the year under review.

Directors	Board	Audit Committee	Nomination Committee	Remuneration Committee	Executive Committee	Risk Management Committee	AGM
Executive Directors							
Dr KWOK Siu Ming Simon	5/5	4/4*	1/1*	1/1*	6/6	6/6	1/1
Dr KWOK LAW Kwai Chun Eleanor	5/5	4/4*	1/1	1/1	4/6	4/6	1/1
Dr LOOK Guy	5/5	4/4*			5/6	6/6	1/1
Non-Executive Director							
Ms LEE Yun Chun Marie-Christine	5/5	4/4*					1/1
Independent Non-Executive Directors							
Ms TAM Wai Chu Maria	5/5	4/4	1/1	1/1			1/1
Ms KI Man Fung Leonie	5/5	4/4	1/1	1/1			1/1
Mr TAN Wee Seng	5/5	4/4					1/1
Total number of meetings	5	4	1	1	6	6	1
Average attendance rate of directors△	100%	100%	100%	100%	83.3%	88.9%	100%

Notes:
Attendance is expressed as the number of meetings attended out of the number eligible to attend.

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

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 the Chairman, or Committee Chairman, as appropriate.

Work done by the Board in the year ended 31 March 2019:

5 meetings (100% attendance rate)

Financial results

- ✓ Approved the annual results and annual report for the year ended 31 March 2018 including the annual results announcement.
- ✓ Approved the interim report and interim results announcement for the six months ended 30 September 2018.
- ✓ Approved the proposal of payment of final dividends for the year ended 31 March 2018 and the interim dividend for the six months ended 30 September 2018 with scrip dividend alternative.
- ✓ Considered the unaudited 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 from different business units, updates on investor relations and Environmental, Social and Governance issues.

Corporate governance

- ✓ Approved the re-appointment of Ms KI Man Fung Leonie as INED and re-elections of Dr KWOK Siu Ming Simon, Dr KWOK LAW Kwai Chun Eleanor and Ms KI Man Fung Leonie as directors at the annual general meeting held on 3 September 2018.
- ✓ Received reports from each of the Audit, Nomination and Remuneration Committees following each committee meeting.
- ✓ Approved the amended form of notification and acknowledgement under the Model Code.
- ✓ Approved the revised Board Diversity Policy, Nomination Policy, and Inside Information Policy.
- ✓ Approved and adopted a Dividend Policy.
- ✓ Received directors' trainings on cyber security and sustainability.

Directors' Remuneration Package

- ✓ Approved the grant of share options to all non-executive directors of the Company.

Dividend Policy

The Board formalised and adopted a Dividend Policy in February 2019. The main part of the policy is set out below.

Policy Statement

1. Factors to be considered when deciding on dividend payout include return to shareholders, cash needed for the Group's business operations, expansion and inventory, capital expenditure requirements and funding for other business opportunities, and also a healthy financial buffer for unforeseen market circumstances.

2. With a view to providing stable financial return to shareholders while retaining adequate reserves for market fluctuation and future growth, it is the Company's policy to pay regular dividends twice a year with a target pay out ratio of not less than 50% of the profit for the year attributable to owners of the Company.

3. The payment of dividends is subject to any restrictions under the laws and the Company's articles of association. The target pay out ratio above may be adjusted if circumstances require having considered the factors in paragraph 1.

Scrip Dividend Alternative

4. The Board may continue to offer a scrip dividend alternative with or without discount if it considers appropriate based on the expected costs to the Company, the dilution effect and shareholders' expectation. The scrip dividend scheme has the advantages of enabling shareholders to increase their investment in the Company without incurring brokerage fees, stamp duty and related dealing costs, while at the same time allowing the Company to retain for use, as working capital or as funding for new investments, the cash that would otherwise have been paid to the shareholders had they elected to receive the dividend in cash, in whole or in part.

Unclaimed Dividends

5. Pursuant to Article 156 of the Company's articles of association, all dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company, and after such forfeiture no shareholder or other person shall have any right to or claim in respect of such dividends or bonuses.

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 set out in Appendix 10 of the Listing Rules (Model Code). The Model Code is extended to certain "relevant employees" who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities. The notification and acknowledgement process under the Model Code were reviewed and improved during the financial year. We have received confirmation from all directors and relevant employees that they have complied with the policy throughout the period under review.

Directors' and Officers' Insurance

We have maintained a Directors' and officers' (D&O) Liability Insurance, which gives appropriate cover for any legal action brought against our 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 adequate in light of changing trends in the insurance market and other relevant factors. The Insurance Policy is available for inspection by the directors upon request. No claim has been made since the Insurance Policy came into effect up to the date of this report.

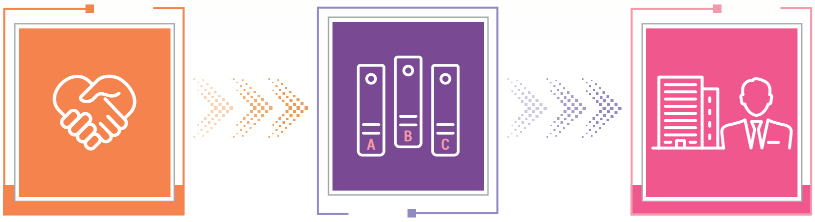
Conflict of Interest

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 are to be avoided. The directors are required to disclose their interests, if any, in any transactions, arrangements or other proposals considered by the Board at Board meetings. They are further required 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 Board members. Directors have a continuing duty to inform the Board of any changes to these conflict situations. No conflicts of interest actually arose in the year under review.

Induction and Continuous Professional Development

We recognise that professional developments for 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. The Board has, from time to time, reviewed and monitored the implementation of this policy to ensure its effectiveness.

New Director's Induction



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.

Continuous Professional Development

- Attended in-house trainings on cyber-security and sustainability provided by specialist external consultants
- Received presentation on new accounting standards HKFRS on leases provided by PwC
- Received corporate communications such as "Sa Sa quarterly newsletters", press releases and other news and updates related to our business and the regulatory environment
- Attended Sa Sa's corporate events (Sa Sa Ladies Purse Day and Sa Sa's 40th Anniversary Beauty Land Celebration Party)

All Directors have provided their training records to the Company and confirmed their respective records on a semi-annual basis. The chart below summarises the participation of Directors in training and continuous professional development during the year.

Name	Attending trainings/ seminars/ conferences	Reviewing legislative or regulatory updates	Reading materials relevant to the Company or its business/attending corporate events
Dr KWOK Siu Ming Simon	✓	✓	✓
Dr KWOK LAW Kwai Chun Eleanor	✓	✓	✓
Dr LOOK Guy	✓	✓	✓
Ms LEE Yun Chun Marie-Christine	✓	✓	✓
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 written resolutions or minutes, collating and distributing meeting materials, and keeping records of substantive matters discussed and decisions resolved 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.

All board members have 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 year 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 174 to 177.

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 2019, the fees paid by the Group to PwC amounted to approximately HK$5,385,000, comprising audit fees of HK$3,672,000 and non-audit fees of HK$1,713,000. The non-audit services consisted of tax advisory services, interim review, turnover certificate, transfer pricing analysis, and other services.

The Audit Committee will continue to review the independence and objectivity of the external auditors, including the review of any proposals and 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

Board Evaluation

Our first board evaluation was conducted in 2016. Recognising that Board's performance and effectiveness is central to corporate governance, a decision was made in the financial year to conduct another more in-depth evaluation in the year 2019/20. A questionnaire was developed for this purpose and the assessed areas included board composition, sufficiency and effectiveness of the board committees, board process, board effectiveness and professional developments. Going forward, the Board is committed to reviewing its own performance and effectiveness at regular intervals of around two years.

Delegation by the Board

As an integral part of good corporate governance and to enhance the function of the Board, five Board Committees – Audit Committee, Nomination Committee, Remuneration Committee, Executive Committee and Risk Management Committee – 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.

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 119. 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

Audit Committee
(All members are INEDs)

Key responsibilities:
To review and monitor the Group's relationship with the external auditor and the auditor's independence; to monitor the integrity of the Group's financial information and review significant reporting judgements 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.

Risk Management Committee
(All members are EDs)

Key responsibilities:
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 recommendations for engaging external consultants, delegated responsibilities for leading management in the establishment and maintenance of an appropriate and effective risk management and internal control system.

Board

Remuneration Committee
(Majority of the members are INEDs)

Key responsibilities:
To determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management; and giving due regard to the Company's financial status, to ensure the directors and senior management are fairly rewarded.

Nomination Committee
(Majority of the members are INEDs)

Key responsibilities:
To make recommendations to the Board for selection of potential Board members, 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 members are EDs)

Key responsibilities:
To ensure successful implementation of the corporate strategy and directions of the Group as determined by the Board.

Audit Committee

Work done by the Audit Committee in the year ended 31 March 2019:

4 meetings (100% attendance rate)

Internal and external audit matters

✓ Received and considered a presentation on HKFRS16 (Lease) and its 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 2018 and the six months ended 30 September 2018.

✓ 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 2018 and made recommendations to the Board.

✓ Reviewed and considered the proposed payment of final dividends for the year ended 31 March 2018 and the interim dividend for the six months ended 30 September 2018 and made recommendations to the Board.

✓ Reviewed and discussed the interim results for the six months ended 30 September 2018, including the interim results announcement and interim report, and made recommendations to the Board.

The Audit Committee held two private sessions/meetings with the external auditor 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.

Nomination Committee

Work done by the Nomination Committee in the year ended 31 March 2019:

1 meeting (100% attendance rate)

Board composition

✓ Reviewed the structure, size and composition of the Board.

✓ Assessed the independence of INEDs.

Re-appointment of Directors

✓ Considered the re-appointment of Ms KI Man Fung Leonie as INED.

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 met 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.

Remuneration Committee

Work done by the Remuneration Committee in the year ended 31 March 2019:

1 meeting (100% attendance rate)

Benchmarking

✓ 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 determined the remuneration of directors in consultation with the chairman of the Board and in accordance with the remuneration policy of the Group.

✓ Reviewed and approved the remuneration package proposal for management.

✓ Approved the increase in annual fee of the chairman of Audit Committee from HK$100,000 to HK$150,000.

✓ Made recommendation to the Board for the grant of share options to all NEDs (including INEDs).

Remuneration of Directors and Senior 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

We have in place a formal and transparent Remuneration Policy for directors and senior 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 rates, 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 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 other executive director and management may also include share options or share awards, some of which are time based while others are performance based.

Non-executive Directors (including INEDs) are compensated with reference to market rate with the aim of fairly remunerating their efforts and time dedicated to Board and Board Committees matters. The remuneration package of NEDs comprises a fixed annual fee of HK$257,400. The Chairman of the Audit Committee is paid an additional fee of HK$150,000 per annum while other members of the Audit Committee are paid an additional fee of HK$80,000 per annum. In the year ended 31 March 2019, all NEDs were each granted options to subscribe for 100,000 shares in the Company, details of which were contained in an announcement published by the Company on 13 April 2018.

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 205 to 209.

Executive Committee

Work done by the Executive Committee in the year ended 31 March 2019:

6 meetings (83.3% attendance rate)

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 to ensure that they 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 2019:

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

The Committee proactively communicates with the NEDs and the management and is open and responsive to any issues raised by the NEDs (including the INEDs). The number of meetings held by the Executive Committee and the attendance of each individual Committee members are set out on page 119. 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 2019:

6 meetings (88.9% attendance rate)

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 2019 including:
- Continuous assessment of existing and new risks that the Group faced;
- Reviewed of risk indicators and assessed how risks were measured and managed;
- Reviewed and assessed the risk trends and appropriateness of risk indicators;
- Assessed 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 number of meetings held by the Committee during the year and the attendance records of each individual Committee members are set out on page 119. Please refer to pages 135 to 143 of the Enterprise Risk Management Report for further activities undertaken by this Committee.

Time Commitment of Directors

We recognise that it is important that all directors should be able to contribute sufficient time to the Company to discharge their responsibility. 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 year under review.

We understand that our directors may be invited to hold positions in other private, public or professional organisations, or they may have other significant commitments. These engagements will broaden their knowledge and experience and may act to the benefit of the Company. Each director has disclosed to the Company the number and nature of offices held by him/her in public companies or organisations and other significant commitments. Despite those commitments, each director was able to give sufficient time and attention to the Company's affairs and perform his/her duties as directors.

Meeting Process of the Board and Board Committees

The Board and Board Committees meet regularly during the year. The dates and time of meetings are planned usually in the year before to allow sufficient time for the directors to schedule their activities.

The Board meets at least four times a year at approximately quarterly intervals. We held five Board meetings during the year ended 31 March 2019.

The formal notice and agenda of meetings are finalised by the Chairman and are usually sent to all directors at least 14 days before each meeting. All directors are given opportunities to comment on the agenda and to bring up additional matters for consideration at the meetings.

Meeting materials are usually sent to directors in advance of each meeting to ensure that the directors have full and timely access to 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.

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 each director for his/her record. 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. There were no incidents of non-compliance during the year.

With respect to the protection of personal data, the Group has a compliance manual, which is a practical guide complete with examples and illustrations, 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 2019, trainings were provided to the following groups of employees:

- senior management;
- management trainees; and
- new joiners.

The Group's legal team also attended external seminars and workshops on a regular basis to keep informed of 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 used across the organisation to comply with the European Union's General Data Protection Regulation.

Apart from personal data protection, we have also devised a compliance manual for due compliance of 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 our colleagues with practical guidance to help them fulfill 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 provided workshops for the following groups of colleagues during the year:

- management trainees; and
- new joiners.

An additional compliance manual on "Medicine, Medical Advertisements and Food" was drawn up during the year to assist our colleagues with the classification of different products (including pharmaceutical products, orally consumed products, proprietary Chinese medicine, health food and supplements, and food) and the relevant laws and regulations governing each type of product. Workshop on the topic was provided by the legal team to representatives from the following business units in the financial year 2018/19:

- marketing;
- internal audit and management services;
- customer service;
- multimedia content management;
- category management and product development;
- logistics;
- e-commerce; and
- sales and operations.

The legal team also organised a workshop conducted by the Drug Office, Department of Health, on the Undesirable Medical Advertisements Ordinance which was attended by representatives from the following business units:

- legal and company secretarial;
- internal audit and management services;
- category management and product development;
- marketing; and
- training and people development.

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. During the year, the policy was revised to provide more examples and illustrations to facilitate understanding and compliance.

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 135 to 143 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 organisational knowledge and enhances operational effectiveness, efficiency and control processes in achieving business goals. QMS also enables scalability in accommodating business growth, mitigating operational risks and driving continual improvement.

For the year ended 31 March 2019, The Group passed the renewal and surveillance audits of 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 9001:2015 Surveillance audit	Provision of e-commerce services for cosmetic products	May 2018
Sa Sa Cosmetic Company Limited	Logistics	ISO 9001: 2015 Surveillance audit	Provision of logistic services including warehousing, packaging and local distribution of cosmetic products and its accessory materials	January 2019
Sa Sa Cosmetic Company Limited	Category Management & Product Development, Marketing	ISO 9001: 2015 Renewal audit	Category management, products purchasing and promotion for cosmetic, health, personal care products and its accessories	August 2018

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 has been engaging an external consultant to carry out an information security risk assessment and control review project for our Information Technology Department and we strive to attain ISO 27001 certification level 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 non-conformities, weaknesses or deficient areas of concern identified by internal and external ISO auditors during the year. In addition to regular compliance checking, our ISO internal auditors are also charged with the responsibility to work with respective departments to identify areas for process improvement so as to enhance operational efficiency.

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 2019:

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	3	1	8	1	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.

Information technology has become more strategically important in achieving our objectives and is an integral part to its daily operations and activities. And we recognise that if technology-related risks are not adequately managed, they might negatively affect the objectives that we are trying to achieve. Therefore, maintaining a stable and secured IT infrastructure and staying in step with new and disruptive technology are critical to the Group's sustainability and growth and therefore the Group has been paying more attention to technological development, its implication and risks 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 135 to 143 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 2019, 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

2019 Annual General Meeting

The AGM provides the Board with an opportunity to meet and engage directly with our Shareholders. The AGM for the financial year ended 31 March 2019 will be held on or around Monday, 2 September 2019. 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 a circular, which sets out each resolution to be proposed at the AGM, will be dispatched to the Shareholders on or around 22 July 2019.

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 144 to 159 of the "Investor Relations Report" in this Annual Report.

Shareholders are also welcome to make enquiries to the Board. For the procedure and contact details, please refer to pages 144 to 159 of the "Investor Relations Report" in this Annual Report.

Other shareholder-related information

For details of the 2018 annual general meeting, upcoming important dates and year-end public float capitalisation, please refer to pages 144 to 159 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 for the year ended 31 March 2019.

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 that arise 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, which are available on the Company's website. For the year ended 31 March 2019, the Committee held six meetings at Group level to assess and re-assess the top 10 priority risks and the results of mitigation actions. The RMC assists the Board in providing leadership to the management in relation to risk management and internal control. 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 for line management to identify and prioritise risks. The top-down approach reviews risks and assesses if they 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.

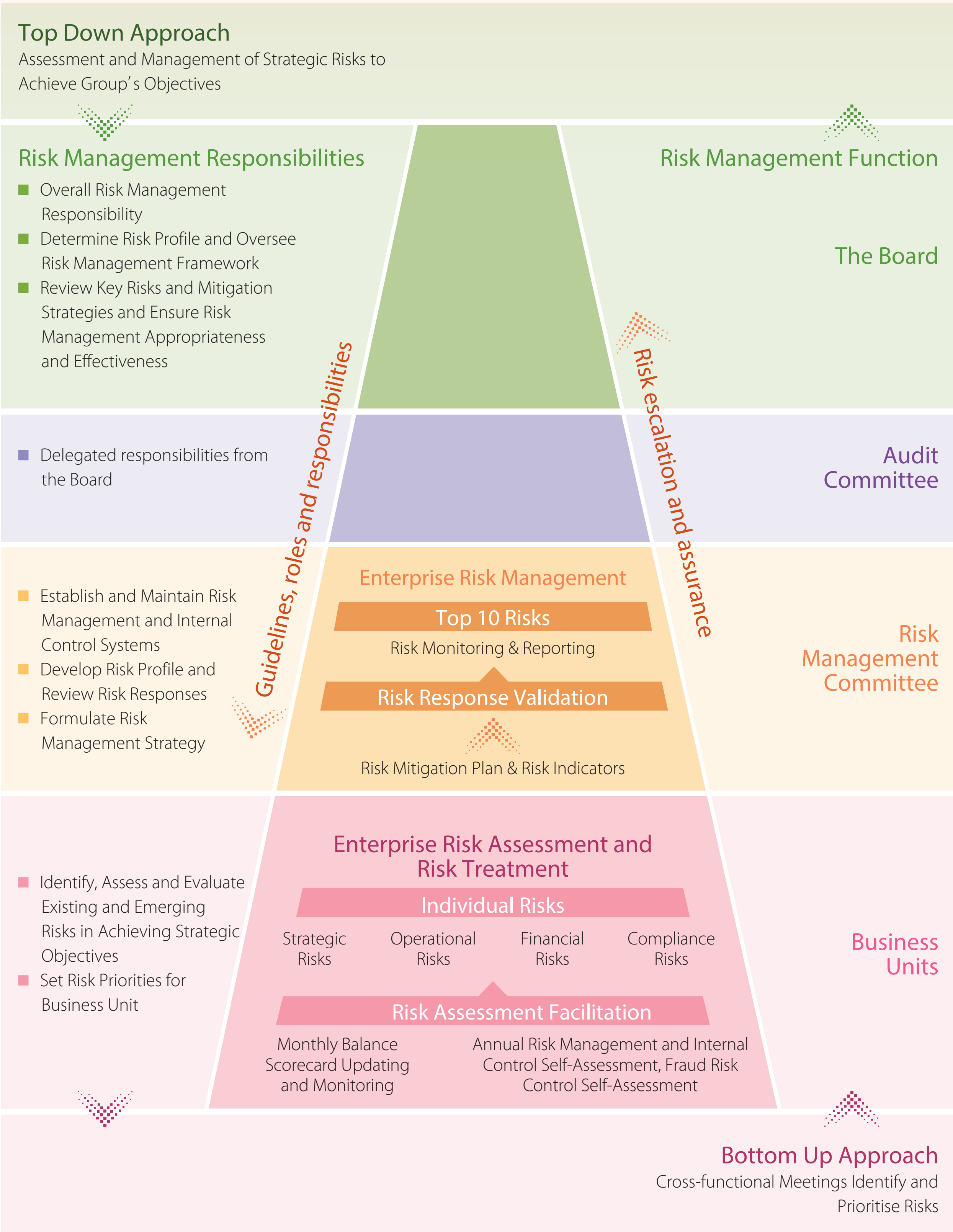
Enterprise Risk Management Process

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 aligned, 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 into 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. The Department highlights 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 137.

Risk Governance & Infrastructure

The ERM Framework



Management of Key Risks

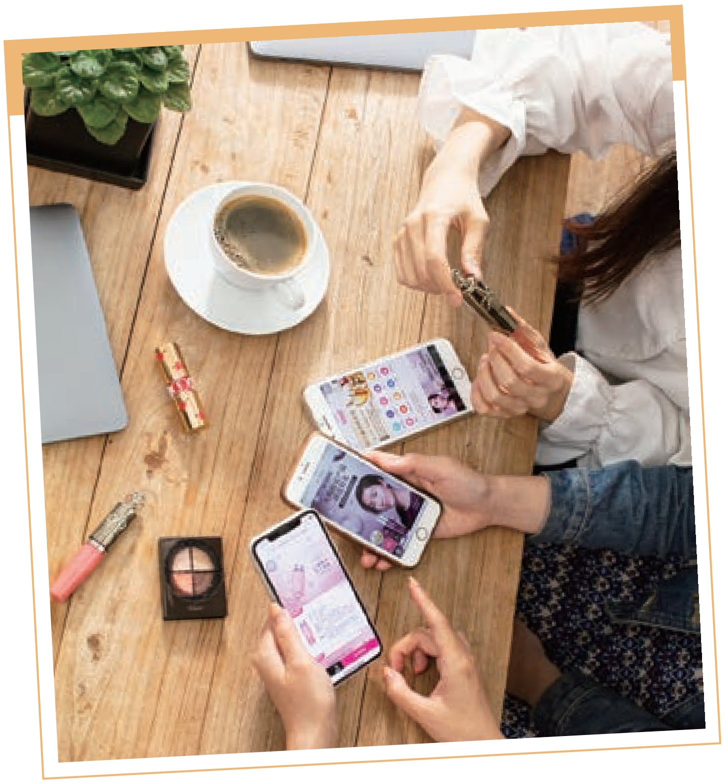
Since the Group operates in a highly dynamic and competitive landscape, continuous and effective risk management is vital for achieving high performance and accomplishing business targets. Some key risks currently being managed are:

Online Threats and Opportunities

Online threats and opportunities remain one of the key challenges 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. Mainland China, where an ambitious New Retail strategy has been widely promoted and where consumers are highly connected and digital-savvy, continues to be one of the most advanced e-commerce markets in the world and remains as the core market for our e-commerce business. We believe there are considerable opportunities to be gained from these new retail practices if we can overcome the challenges of building our capabilities to manage and serve our customer database.

In this regard, we are at the interim stage of adopting a new Magento e-commerce platform and a new order management system 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 phase one has been completed by the Group in a new Customer Relationship Management initiative and we are now working on phase two to facilitate online and offline customer big data collection, integration and value analysis, as well as to drive business growth. In order to maximise their values to the Group, we have to exercise tighter controls over these projects, which had previously been postponed, to make sure they can be completed within the revised target completion dates and with adequate resources invested. We also need to carefully restructure our business units, assign new responsibilities, improve our work processes, use appropriate departmental key performance indicators and revise our front-line staff commission reward system to ensure that we are all working towards the same strategic goals. It is clear that determination, dedication, patience and expertise as well as the right mind-set at all levels are essential factors for a smooth, successful and sustainable transformation. Although our e-commerce business is able to leverage on major third party platforms in Mainland China, we have yet to improve our Sa Sa website and mobile app by strengthening our Marketing team's expertise and complete the development of the new order management system and e-commerce engine. To further grow our business, we will be launching our WeChat mini-programme to enhance new customer acquisition, and promote customer interaction and loyalty. We are also considering opening new flagship stores on major third party social and e-commerce platforms to maximise exposure to new target customers.

Recognising that speedy and successful dispatch in a cost effective way is critical to meeting customers' expectations and ultimately to drive business growth and profitability, we have launched cross-border e-commerce B2C direct mailing services and relocated the bonded warehouse from Zhengzhou to Hangzhou, which is now the major logistics hub for key cross border e-commerce players. Such initiatives have resulted in significantly lower goods detention rate at customs in Mainland China and therefore higher operational efficiency.



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. Continued success in product competitiveness hinges 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 to the industry. In addition to pressures to provide the right trendy products with ever increasing frequency and better quality, digital marketing is enabling much faster product launches, which in turn is driving shorter product life cycles. We have been taking actions to address these challenges. Such initiatives include, but are not limited to: benchmarking performance and understanding market trends through research agencies and internal market data analysis; engaging with some manufacturers to leverage their product development capabilities; employing local sourcing specialists; adjusting our high-end 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 streamline our internal processes, 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 publicised 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 we operate 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. Cybersecurity is one of the top 10 risks covered in our ERM. To manage this risk, efforts have been focused on policy setting, data handling process review, training, IT infrastructure upgrades and cybersecurity testing. We have established a comprehensive privacy policy backed up by 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 familiarised themselves with the relevant training materials provided on our intranet. In order to promote awareness among the Group, a cybersecurity training course has been provided to Board members. We plan to conduct simulated phishing attacks to test employees' security awareness, which will be followed by online training courses, since we recognise that the human element is often one of the weakest components in cybersecurity. We are also in the process of reviewing and strengthening our customer data handling processes so that such personal data is handled in a more secure manner. We have allocated substantial IT resources to enhance our cybersecurity regime over the last financial year. Meanwhile, we engage external certified professionals to help assess our level of protection against cyber attacks on at least an annual basis. 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 us due to the overall low unemployment rate and easier access to higher education opportunities for young people. We recognise that human capital is one of the most important assets we have and we need to actively develop new recruitment channels and optimise our training and development programmes 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 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 through 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, finance and accounting department or e-commerce business. The Sales Trainee Programme and the Earn and Learn Pilot Scheme, which runs in partnership 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. Existing 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 members.

We firmly believe that care for our staff members 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, and we provide 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. We are planning to host casual monthly dinners for staff members from selected departments to meet and interact with our management team. We believe that enjoying a meal together in such an informal and relaxed setting will help promote bonding and engagement within the workplace.

Training and Development

We have in place a series of effective functional training and development programmes such as Junior Beautician Trainee (JBT) and Sales Trainee programmes, These are offered in our Sa Sa Beauty Academy, Big Sister and Brother scheme and the Sa Sa e-learning platform with the aim of upgrading staff competence levels and promoting team spirit. The programmes have also been successfully extended to our Mainland China office. The JBT programme helps to equip new joiners with relevant professional product knowledge and offers skillsets to achieve service and selling excellence. The Big Sister and Brother scheme aims to create a harmonious working environment, strengthen bonding relationships, encourage the sharing of experience and improve frontline staff retention. Our one-stop e-learning platform consolidates all training and development courses into one database, enabling frontline staff to access all relevant training information so that they can learn at times that are convenient to them without requiring extra travel and expense. This feature is particularly relevant and effective in Mainland China, where geography has long been a difficult barrier to overcome for traditional instructor-led training courses.

Mainland China Business Prospect

We have taken progressive and disciplined steps to improve our business performance in Mainland China during the past few years with notable improvements in logistics costs and delivery time. However, gaps still continue to compromise our growth due to weak local product and operations management teams, ineffective commission schemes and weak execution. In response to these challenges, we are restructuring the organisation so that we can respond and adapt to rapid changes in market competition. We have established a General Manager Office to support the overall business analytics, development and coordination of cross-departmental activity. We have also merged certain functional units and relocated key staff according to their strength and expertise while replacing underperforming management staff. In addition, we have rolled out a new store image and will proactively approach popular shopping mall operators to secure our presence in their top "go-to" locations. Strategically, the Greater Bay Area is the key development priority for our sales growth. In light of this, we have established internal guidelines on shopping mall and store selection and implemented more frequent progress reviews. To ensure that we can provide more trendy products with reasonable margin to address customers' needs and to drive traffic, we have been optimising our vendor base. We are also revisiting our commission system for frontline staff to ensure the alignment of goals that yield long-term benefits for both the company and staff. The Group expects that these robust enhancement measures will reshape our company to be more agile, drive our stores to operate more efficiently and to become more attractive to customers while increasing our presence in our target provincial capitals. This will improve overall sales and profitability.

Ethical Business Practices

We are 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 us to evaluate and manage fraud risks through a more systematic and proactive approach, fraud risk assessment is incorporated as an integral part of our risk management structure for continuous management and mitigation. 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 our assets, contribute positively to our 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 to promote the overall culture of ethics and enhance the existing fraud risk management system:

Communication and Training

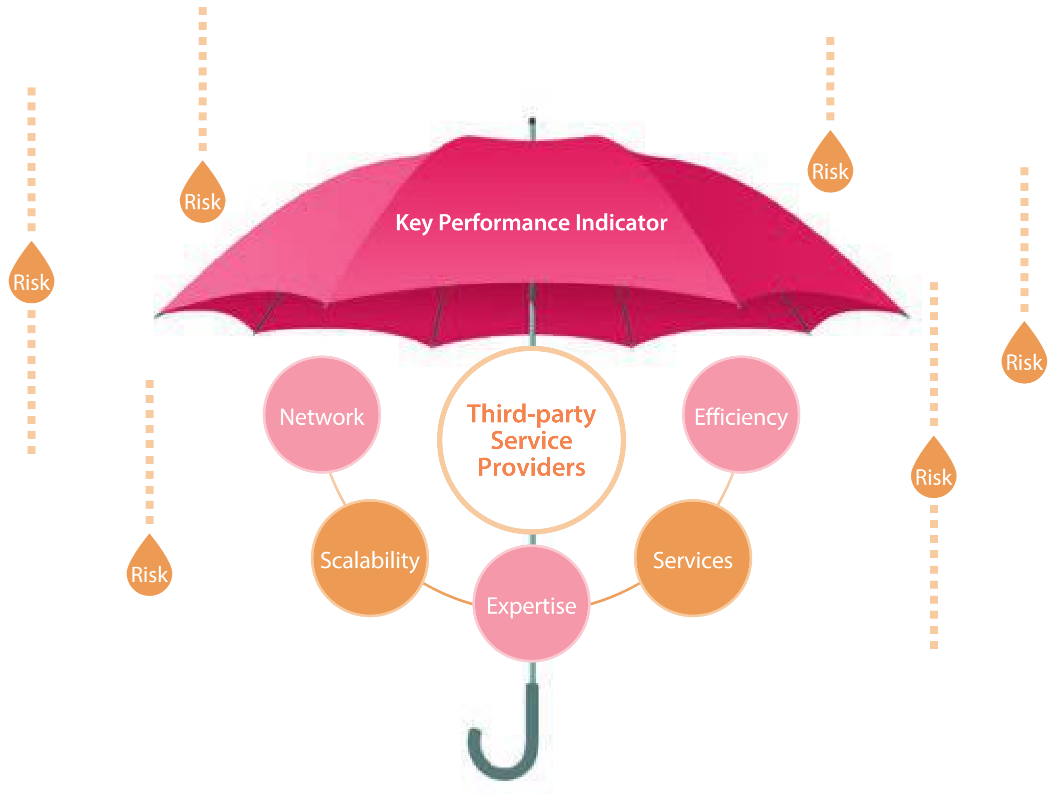
Participants/Target	Course/Induction/Workshop/Action
All New Staff	Induction training on key corporate policies, including whistleblowing policy, conflict of interest policy, etc
PRC, Malaysia & Singapore Suppliers	Letters to suppliers – Code of Business Conduct and Ethics
IAMS Department	Delegates attended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

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
Headquarters & 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

We have 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, noncompliance with local rules and regulations or unexpected withdrawal from the market of key service providers. In order to counter these risks and make our business more secure, the Group has established comprehensive key performance indicators to continuously evaluate and monitor service level. These measures may involve external professionals, executives and other functional teams for key projects as necessary, with clear terms and conditions laid out in service agreements. Although we tend 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 and to update our backup vendor list while managing our costs.



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.

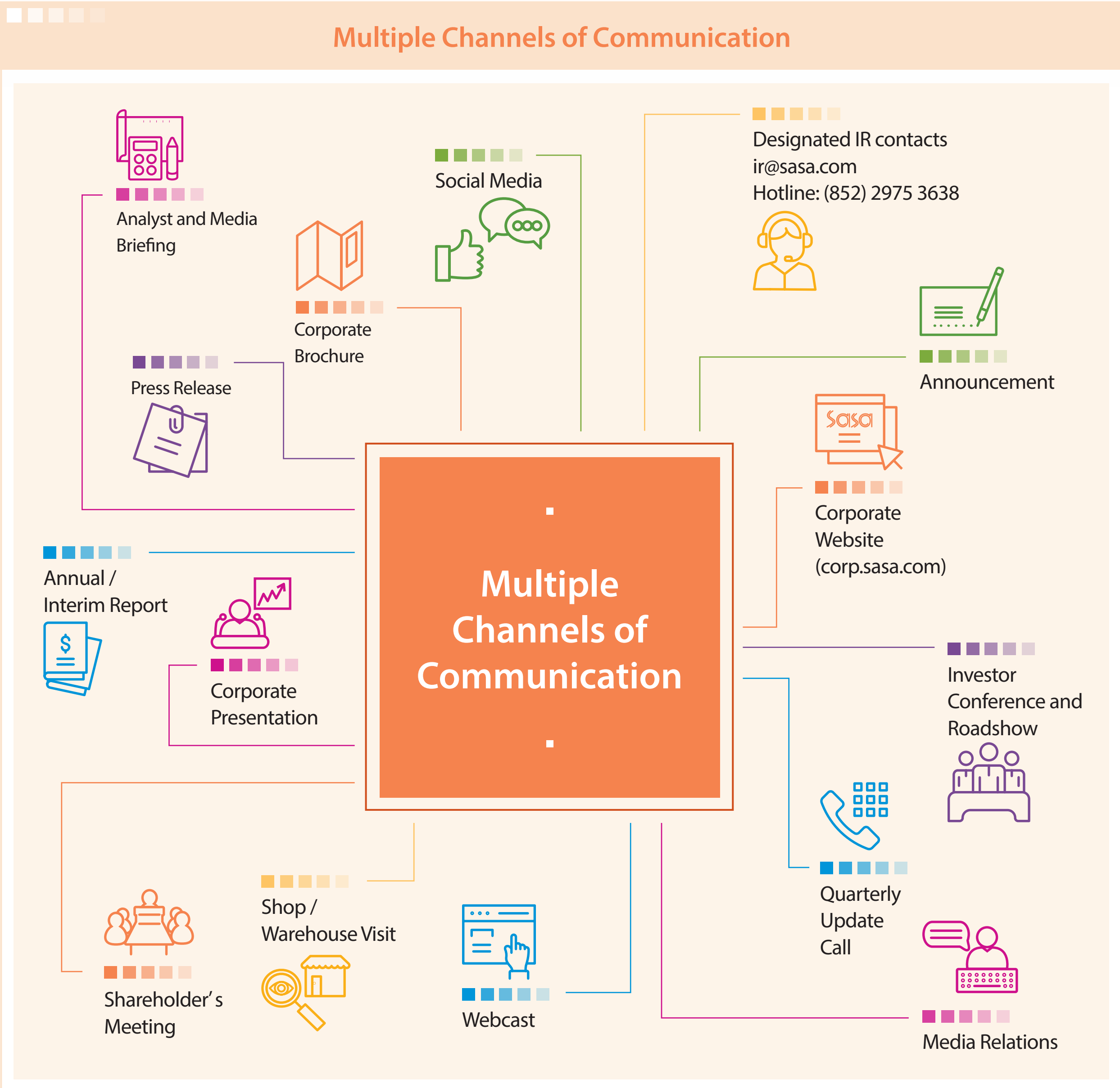
As part of our investor relations function, we recognise that communication has to be conducted in both directions, and so to this end, we also collect feedback from investors and analysts for the attention of executive management and the board of directors. This also helps to formulate our investor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

Dr LOOK Guy
Chief Financial Officer and Executive Director

Shareholders' Communication Policy

To facilitate effective and systematic communications with Shareholders and to 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 engage in 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, we encourage investors to access corporate information and updates via the Company's or the HKEx's website. All announcements and relevant information are easily accessible in the "Investor Relations" section following our releases. Information is also released by email to all persons who have requested that their names be added to our database. Any person who wishes to be added to this database can do so by sending an email to ir@sasa.com.

We are committed to continuous improvement of our environmental, social and governance ("ESG") strategy and execution on a systematic basis. On the communications front, apart from communicating our ESG performance to investors and other stakeholders through traditional means such as the annual report and company website, we have started to enrich our ESG disclosure through investor relations presentation materials. The goal of this initiative is to help investors make better investment decisions through clearer understanding of our ESG strategy and execution, and how they form part of the long-term sustainable development of our business.

Digital IR

Successful communications in investor relations is accentuated by the synergy of strong messaging and digital implementation. To constantly improve investors access to company information, we are preparing to upgrade our corporate website with responsive technology to keep pace in the mobile-first world. The Company's website shall present a user-friendly and interactive interface in English and Chinese with a succinct corporate message in all sections.

Social media has become an increasingly popular communication channel for investors. To embrace social media as a way of information dissemination, we have accelerated the adoption of various social media platforms for investor engagement.

In line with the rising trend of electronic device usage by investors, we provide QR code for online downloading of presentation materials during analyst briefings to offer additional convenience to the access of information.

Investor Relations Activities

The Group is highly supportive of the 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 two-way communication between the Company, Shareholders and the investment community. The Group upholds the principles of Non-Selective Disclosure for price-sensitive information. Historical financial information, operational data, corporate strategies, industry updates and the future outlook of the Company are available to the public via the Company's website and the HKEx's website. Our communications with the investment community and shareholders are based on information that is in general publically available.

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.
- Interim and Annual Results Analyst Presentations with webcast for those who cannot attend.
- Analyst Conference Calls were conducted for Quarterly and Operational Sales Updates to promote clear, timely and efficient communications about important updates of the Group.

Retail Investors

We also greatly value 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 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 15 have already covered our company. During the year, a total of over 130 research reports covering Sa Sa were published by securities firms in Hong Kong market.

Annual General Meeting 2018

2018/19 Annual Results Analyst Presentation

Investor Relations Activities Analysis

Close Engagement with Institutional Investors

Major conferences
(FY 2017/18: 10)
7

Non-deal roadshows
(FY 2017/18: 12)
6

Investor participants for Annual Results Analyst Presentation
(FY 2017/18: 115)
96

Investor participants for Interim Results Analyst Presentation
(FY 2017/18: 62)
81

Frequent Contacts with Investment Community

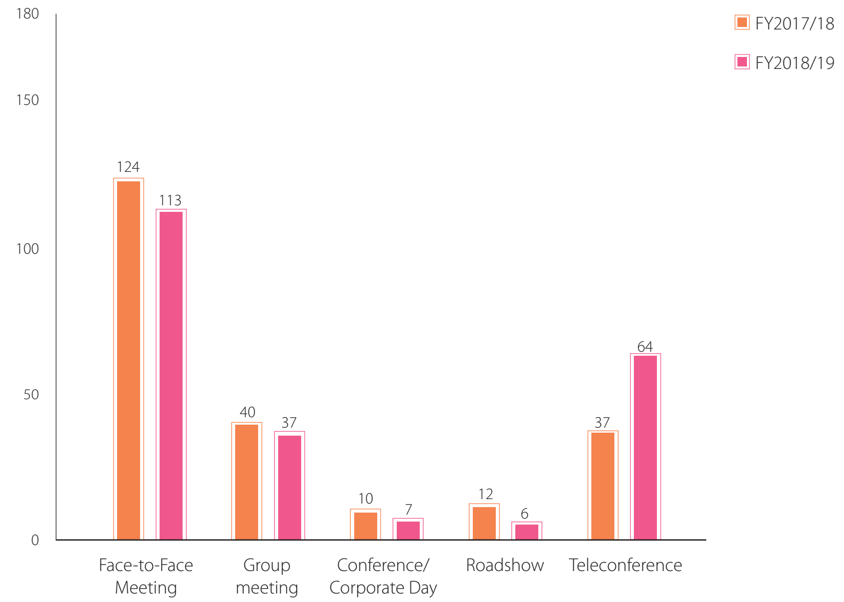
Analysts, fund managers and institutional investors
(FY 2017/18: Over 1,000)
>1,000

Analysts covering Sa Sa
(FY 2017/18: 18)
15

Research reports
(FY 2017/18: Over 150)
>130

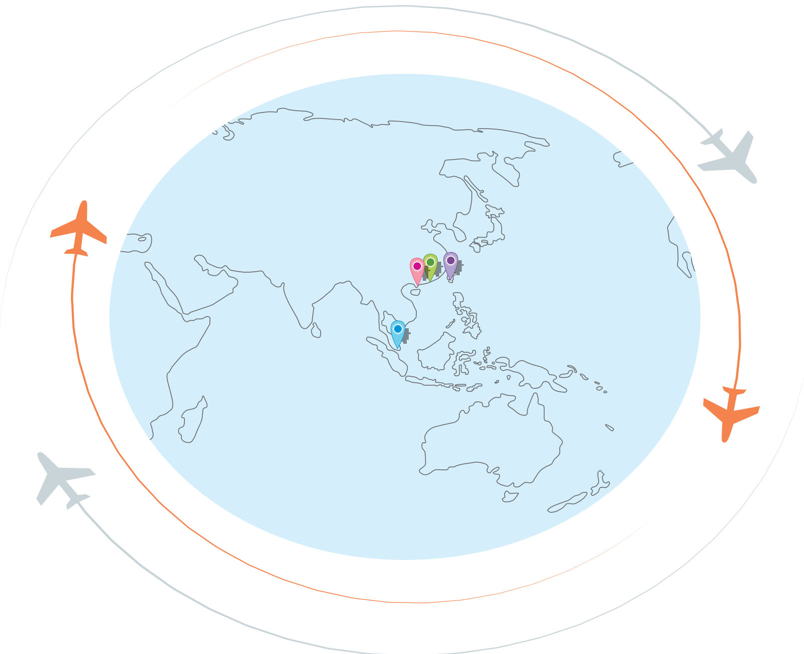
- A designated enquiry hotline (852) 2975 3638 has been launched for the investment community including retail investors.
- A separate Q&A section for retail investors is arranged in our AGM.

No. of Event by Type



Roadshow and Conference

FY 2018/19	Event	Organiser	Location
Q1	Post-results Roadshow	Citi	Hong Kong
	GHM Greater Bay Corporate Day	Goldman Sachs	Hong Kong
Q2	Non-deal Roadshow	DBS Vickers	Singapore
	Non-deal Roadshow	Fubon	Taiwan
	China Corporate Day	Citi	Singapore
Q3	Post-results Roadshow	CLSA	Hong Kong
	HK/China Consumer 1x1 Forum	J. P. Morgan	Hong Kong
Q4	Hong Kong & China Corporate Day	Citi	Hong Kong
	Brokers Presentation	Phillip Securities	Hong Kong
	Non-deal Roadshow	BOCI	Hong Kong
	Non-deal Roadshow	Fubon	Taiwan
	2019 BofAML APAC TMT Conference	Bank of America Merrill Lynch	Taiwan
	Ninth Annual Hong Kong Investor Summit	Morgan Stanley	Hong Kong



Year ended 31 Mar 2019

7 Conferences		6 Roadshows	
4	Hong Kong	3	Hong Kong
1	Shenzhen	-	Shenzhen
1	Singapore	1	Singapore
1	Taiwan	2	Taiwan

Share Register Analysis

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 eight consecutive years and became a qualified stock in the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect Programme, becoming open for trading by investors in the Mainland Chinese stock market 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 the need to prepare Sa Sa for possible initiatives in relation to these programmes. Since the launch, while closely co-operating with the Mainland Chinese securities firms, we have conducted targeted communications with private investors from Mainland China through investor days, meetings and public relations efforts in order to increase brand awareness.

During the year, in order to arrange targeted investor activities for our existing and potential shareholders, we have closely monitored 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, 0.36% of the Company's total issued capital was held by Mainland Chinese investors through China Securities Depositor and Clearing Limited as of 31 March 2019.

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 as set out in the Annual General Meeting ("AGM") Notice. These are 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 3 September 2018, 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 on 23 July 2018. All proposed ordinary resolutions were passed by way of poll votings at the AGM.

The 2019 AGM will be held at 16th Floor, V Point, No. 18 Tang Lung Street, Causeway Bay, Hong Kong, on 2 September 2019 (Monday) at 12:30 p.m.

Shareholders' Rights

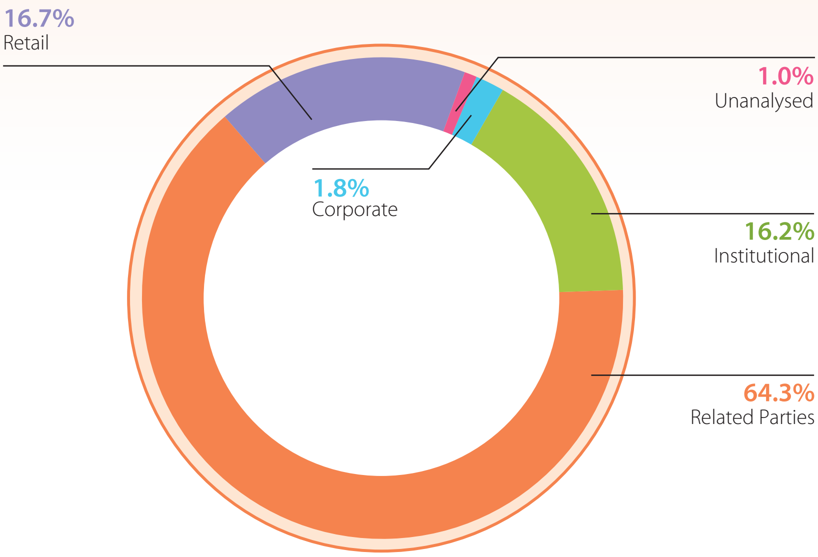
Shareholders can make a request to convene a general meeting on the written requisition of any two or more Shareholders or on the written requisition of any one Shareholder that is a registered clearing house, provided that such requisitions held as at the date of deposit of the requisition are not less than one-tenth of the paid up capital of the Company. Such percentage of requisitions carries the right of voting at general meetings of the Company, according to the procedures as 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 the opportunity 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 the Shareholders' meeting should convene an Extraordinary General Meeting by following the procedures mentioned in the first paragraph of this section.

Shareholding Structure

Total Shareholder Composition



According to the Company's share registrar, Sa Sa had 1,546 registered shareholders as at 31 March 2019. 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. If these entities are taken into account, 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 64.16 % *. The 35.84 % remaining proportion of the shares is held by a wide range of institutional investors across North America, Europe and Asia, and a considerable number of retail investors.

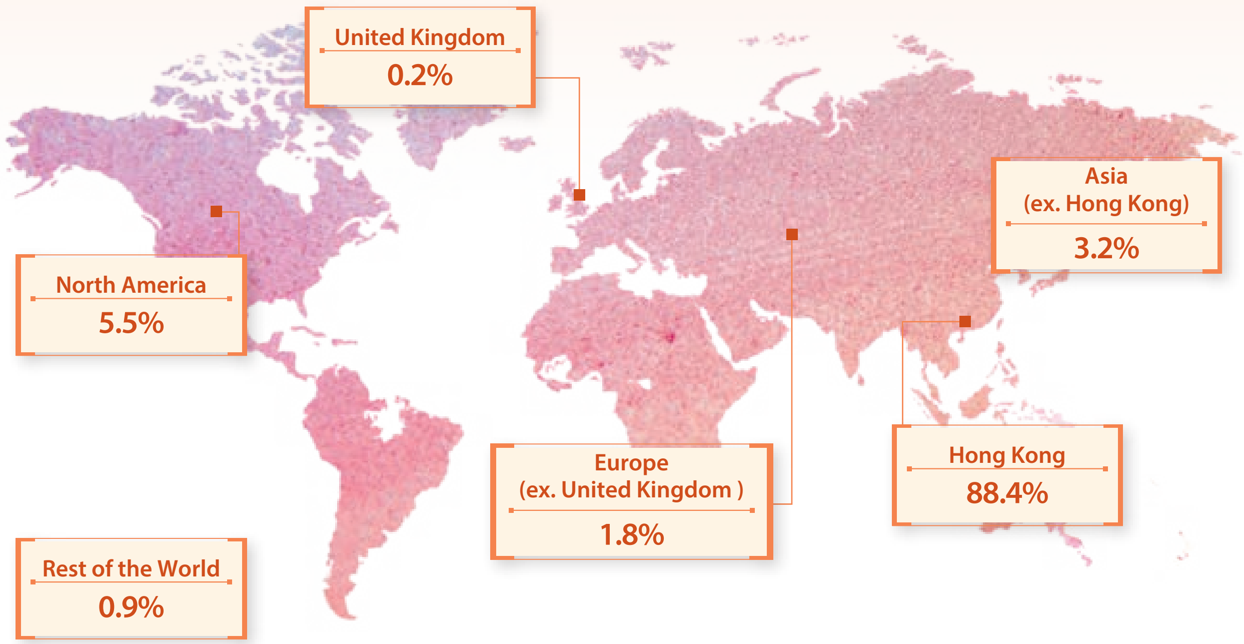
* Please refer to pages 160 to 173 in the "Report of the Directors" of this Annual Report for details of the Directors' and Chief Executive's shareholding interests.

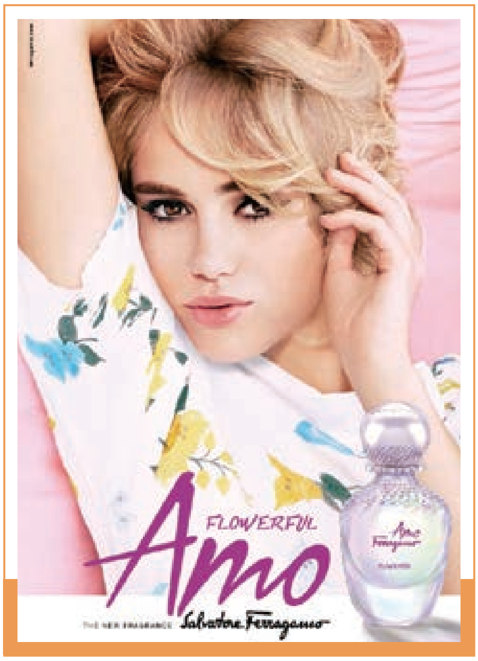
During the year, we engaged NASDAQ Inc. to conduct "Shareholder Identification". This process analysed shares of the Company as at 29 March 2019, representing 99.4 % of the total issued capital.

According to NASDAQ Inc.'s report, the Group's institutional shareholder base was composed of firms spanning 16 countries, and accounted for 16.2 % of the Company's total issued capital as at 29 March 2019, while the low turnover orientation# accounted for 80.3 % of the total institutional shareholders.

\# Average holding period exceeds 24 months.

Total Shareholder by Geographical Region





Shareholders Information

Financial Calendar

FY 2018/19 interim results announcement	21 November 2018
Closure of register of members	6-7 December 2018 (both days inclusive)
Payment of FY 2018/19 interim dividend	23 January 2019
FY 2018/19 annual results announcement	20 June 2019
For determining shareholders' eligibility to attend and vote at the AGM	
Closure of register of members	28 August - 2 September 2019 (both days inclusive)
Record Date	2 September 2019
Annual General Meeting	2 September 2019
For determining entitlement to the final dividends (if payable)	
Closure of register of members	6-9 September 2019 (both days inclusive)
Record Date	9 September 2019
Proposed payment Date of FY 2018/19 final dividend (if payable)	22 October 2019
FY 2019/20 interim results announcement	Mid to late November 2019

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 2019	3,095,602,403
Public float as at 31 March 2019	Approximately 36%

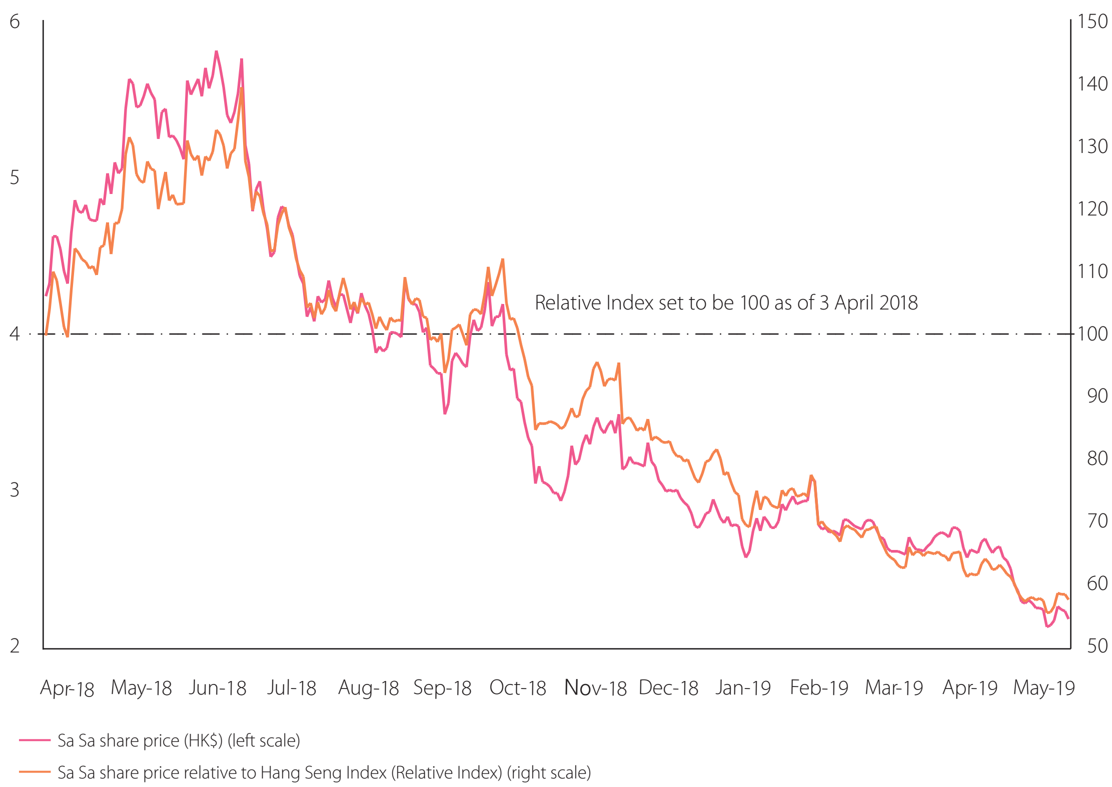
Share Performance	FY2018/19	FY2017/18
Closing price as at 31 March	HK$2.68 per share	HK$4.06 per share
Highest price during the financial year	HK$5.81 per share	HK$4.09 per share
Lowest price during the financial year	HK$ 2.59 per share	HK$ 3.89 per share
Average daily trading volume	8.3 million shares	5.8 million shares
Average daily trading amount	HK$32.0 million	HK$19.0 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 has also been included as a constituent of Hang Seng Stock Connect Greater Bay Area Composite Index Series since 29 May 2019.

Sa Sa share price performance vs HSI

Share Price Performance, 3 Apr 18 – 31 May 2019

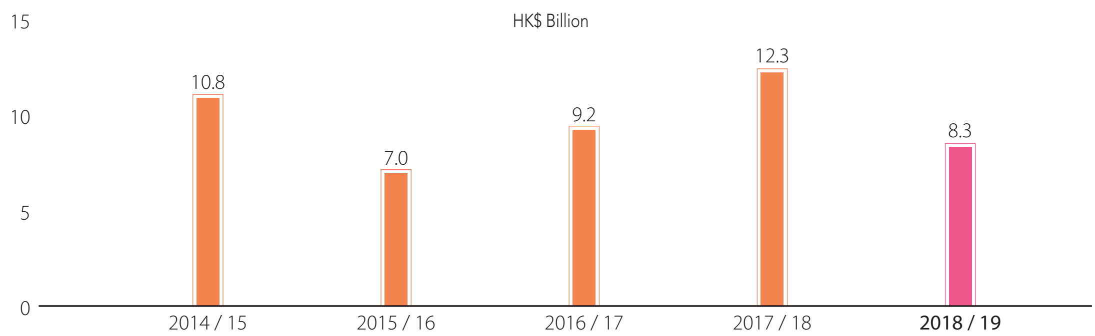


Index Inclusion

Sa Sa is the constituent stock of 22 indexes managed under FTSE, MSCI, S&P Global and Hang Seng Index as of 31 Mar 2019.

FTSE ALL-WORLD EX US INDEX	FTSE DEVELOPED EX US INDEX	MSCI World Small Cap
FTSE All-World High Dividend Yield INDEX	FTSE GLOBAL ALL CAP EX US INDEX	MSCI EAFE Small Cap
FTSE ALL-WORLD INDEX	FTSE GLOBAL ALL CAP INDEX	MSCI AC Far East ex Japan Small Cap
FTSE DEVELOPED ALL CAP EX UK INDEX	FTSE GREATER CHINA INDEX	MSCI ACWI EX US IMI
FTSE DEVELOPED ALL CAP EX US INDEX	FTSE MPF Asia Pacific ex Japan Australia & New Zealand INDEX	S&P Developed Ex US <2 Billion
FTSE DEVELOPED ALL CAP INDEX	FTSE MPF Hong Kong INDEX	Hang Seng Composite MidCap
FTSE DEVELOPED ASIA PACIFIC ALL CAP INDEX	FTSE World Asia Pacific Ex Japan INDEX	
FTSE DEVELOPED ASIA PACIFIC EX JAPAN INDEX	FTSE World Ex UK INDEX	

Market Capitalisation



Dividend History

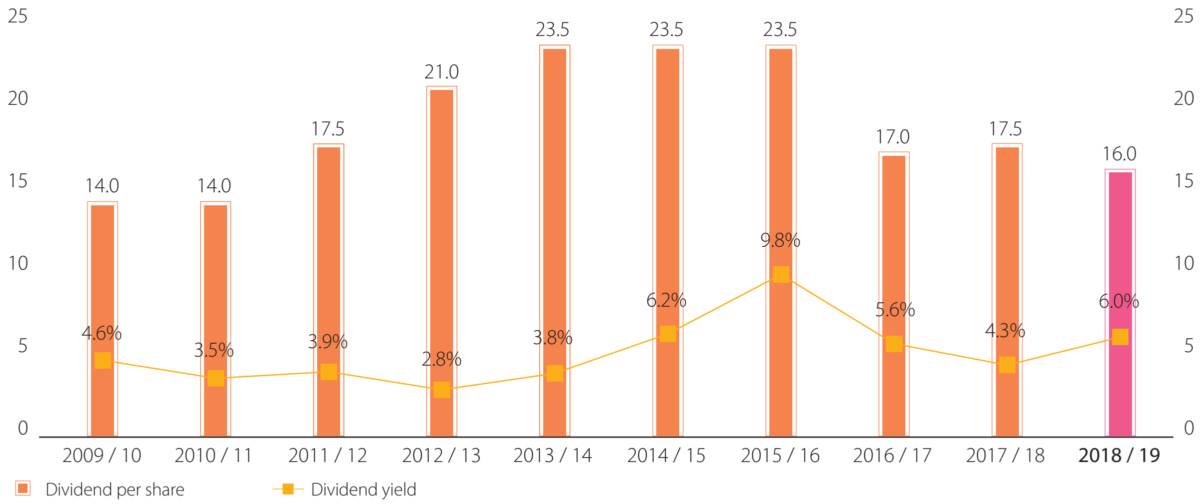
The Group will strive to maintain a consistently high dividend payout ratio, taking into consideration the Group's high return on equity, development plans and cash flow. The decision of the Board also takes into account any special circumstances.

Dividend Per Share (HK cents)

Financial Year	Basic Interim	Basic Final	Special Interim	Special Final	Total	Dividend Yield (%)	Dividend Payout Ratio
2018/19	7.0	9.0	–	–	16.0*	6.0	105.0%
2017/18	3.5	11.0	–	3.0	17.5*	4.3	120.7%
2016/17	5.0	8.0	4.0	0.0	17.0	5.6	154.9%
2015/16	5.0	9.0	4.0	5.5	23.5	9.8	176.1%
2014/15	5.0	9.0	4.0	5.5	23.5	6.2	79.7%
2013/14	4.5	9.0	4.5	5.5	23.5	3.8	71.4%

* During the year, the final and interim 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 Share 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 Index Series Member 2018-2019

Hang Seng Corporate Sustainability Benchmark Index

- 2018 – 2019 constituent member

The 5th HKIRA Investor Relations Awards – Small-Cap Category

- Best IR Company
- 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
- Best Investor Presentation Material
- Best Annual Report

IR Magazine Awards Greater China 2018
SA SA INTERNATIONAL HOLDINGS LIMITED

IR Magazine Awards Greater China 2018

- Certificate for Excellence in Investor Relations

2018 DHL/SCMP Hong Kong Business Awards

- Business Person of the Year

Hong Kong Management Association – 2018 Best Annual Reports Awards (The Group's 2017-18 Annual Report)

- "Citation for Environmental, Social and Governance Disclosure"

Capital Weekly-Listed Enterprise Excellence Awards 2018

- "Excellent Performance Award"

Mercomm, Inc. – International ARC Awards 2018 (The Group's 2016-17 Annual Report)

- Honours Award in the category of Traditional Annual Report: Beauty & Cosmetic Production

Golden Hong Kong Stocks Awards 2018

- Best IR Award

For details of the full list of recognitions, please refer to the "Awards and Recognitions" section on pages 22 to 30 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 Ka 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 54, 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.

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 2019.

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 MD&A section (pages 44 to 53). Description of the principal risks and uncertainties facing the Group can be found under Our Strategy (page 15) and the ERM Report (pages 135 to 143). 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 under Our Strategy (pages 13 to 15) and the MD&A section (pages 54 to 57 and page 59). Certain financial key performance indicators which complement and supplement our financial disclosures are set out on pages 31 to 33. An account of the Company's relationships with its stakeholders are set out under Our Strategy (page 7). More details regarding the relationship with our employees and discussions on the Group's environmental policies and performance are included in the ESG 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 CG 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 178.

An interim dividend of 7.0 HK cents (2018: 3.5 HK cents) per Share was paid on 23 January 2019. The Board recommended the payment of a final dividend of 9.0 HK cents (2018: 11.0* HK cents) per Share, such dividends will be proposed for approval by Shareholders at the AGM to be held on Monday, 2 September 2019, and are payable to Shareholders whose names appear on the Register of Members of the Company on Monday, 9 September 2019. Total dividends paid and to be paid in respect of the year ended 31 March 2019 amounted to HK$495,058,000.

Dividend Policy

The Company has a policy on the payment of dividends, which is set out in the Corporate Governance Report on page 121.

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 31 to 33 of this Annual Report.

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.

* Excluding the special dividend of 3.0 HK cents per share in commemoration of the 40th anniversary of the Group.

Share Capital

During the year ended 31 March 2019, the Company issued a total of 1,180,000 shares of HK$0.10 each in the Company to certain employees, upon their exercise of share options under the share option scheme adopted by the Company on 29 August 2002 (the "2002 Share Option Scheme"). The total fund raised during the year from exercise of share options is HK$5,704,100.

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 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.

  (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.

Share Options (continued)

Share Option Schemes (continued)

- 2002 Share Option Scheme (continued)

(c) Total number of Shares available for issue (continued)

(iv) As at 20 June 2019, 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 27,524,988 Shares, which represented 0.89% 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.

Share Options (continued)

Share Option Schemes (continued)

- 2002 Share Option Scheme (continued)

  (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.

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

Name	Date of grant	Subscription price per Share (HK$)	Period during which rights exercisable	Weight average closing price of the Shares immediately before the date on which the options were exercised (HK$)	Number of share options: Outstanding as at 1 April 2018	Granted during the year	Exercised during the year	#Lapsed during the year	Outstanding as at 31 March 2019
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]	5.47	522,000	–	(30,000)	–	492,000
			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]	5.48	2,090,000	–	(318,000)	(92,000)	1,680,000
			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	5.47	3,465,000	–	(832,000)	(106,000)	2,527,000
			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
					28,922,988	–	(1,180,000)	(198,000)	27,544,988

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 150,000 share options out of the outstanding balance of 3,007,000 share options as at 31 March 2019 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 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 or a duty authorised committee thereof considers, in its sole discretion, to have contributed to the Group.

Share Options (continued)

Share Option Schemes (continued)

- 2012 Share Option Scheme (continued)

(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.

(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 20 June 2019, 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 5,362,000 Shares, which represented 8.81% and 0.17% 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 for a period of 10 years commencing on 27 August 2012, the date on which it became unconditional and effective 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:

Name	Date of grant	Subscription price per Share (HK$)	Closing price of the Shares immediately before the date on which the options were granted (HK$)	Period during which rights exercisable	Number of share options: Outstanding as at 1 April 2018	Granted during the year	Exercised during the year	#Lapsed during the year	Outstanding as at 31 March 2019
Directors									
Ms LEE Yun Chun Marie-Christine	13 Apr 2018	4.65	4.33	13 Apr 2020 to 12 Apr 2028	–	100,000	–	–	100,000
Ms TAM Wai Chu Maria	13 Apr 2018	4.65	4.33	13 Apr 2020 to 12 Apr 2028	–	100,000	–	–	100,000
Ms KI Man Fung Leonie	13 Apr 2018	4.65	4.33	13 Apr 2020 to 12 Apr 2028	–	100,000	–	–	100,000
Mr TAN Wee Seng	13 Apr 2018	4.65	4.33	13 Apr 2020 to 12 Apr 2028	–	100,000	–	–	100,000
Employees	21 Jun 2013	8.07	–	21 Jun 2016 to 20 Jun 2023(1)	4,849,000	–	–	(247,000)	4,602,000
				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
					5,259,000	400,000	–	(247,000)	5,412,000

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.

  The weighted average fair value of the share options granted during the year, measured at the grant date of the options, was determined using the binomial lattice model that is based on the underlying assumptions of one of the commonly used employee option pricing models, prepared by Roma Appraisals Limited, was HK$1.55 per option. The significant inputs into the model were share price of HK$4.65 at the grant date, subscription price of HK$4.65, volatility of 42.2%, dividend yields of 3.7%, an expected option life of around 10 years and an annual risk-free interest rate of 1.9%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last 10 years. 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 2019, a total of 5,322,000 awarded Shares had been granted pursuant to the Share Award Scheme, out of which 435,000 awarded Shares remained unvested. During the year, a total of 105,000 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.

(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.

Share Award Scheme (continued)

(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.

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.

Share Award Scheme (continued)

(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:

Name	Date of award	Average fair value per Share (HK$)	Vesting period*	Number of awarded Shares Outstanding as at 1 April 2018	Awarded during the year	Vested during the year	Lapsed during the year	Outstanding as at 31 March 2019
Employees	29 Jan 2016	2.12	29 Jan 2016 to 29 Jan 2019	15,000	–	–	(15,000)	–
	31 Jul 2017	2.87	31 Jul 2017 to 31 Mar 2020	310,000	–	(160,000)	(40,000)	110,000
	30 Nov 2017	3.01	30 Nov 2017 to 21 Aug 2020	100,000	–	–	(50,000)	50,000
	29 Jun 2018	4.98	29 Jun 2018 to 23 May 2021	–	370,000	(120,000)	–	250,000
Associates of Directors	29 Jul 2016	3.38	29 Jul 2016 to 29 Jul 2019	50,000	–	(25,000)	–	25,000
				475,000	370,000	(305,000)	(105,000)	435,000

* 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, except that the trustee of the Share Award Scheme, pursuant to the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 2,000,000 shares at a total consideration of about HK$9.6 million.

Subsidiaries

Details of the Company's principal subsidiaries as at 31 March 2019 are set out in Note 29 to the consolidated financial statements.

Capitalised Interest

No interest was capitalised by the Group during the year (2018: nil).

Distributable Reserves

As at 31 March 2019, the reserves of the Company available for distribution amounted to HK$1,834,554,000 (2018: HK$1,773,803,000).

Donations

The Group made donations during the year totalling HK$4,960,000 (2018: HK$4,696,000).

Directors

The Directors who held office during the year 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: 3 September 2018

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: 3 September 2018

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 on 22 August 2016*

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 on 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: 3 September 2018
- term of directorship: three years commencing on 15 December 2018*

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 on 26 August 2016*

In accordance with Article 116 of the articles of association of the Company, Dr LOOK Guy, Ms TAM Wai Chu Maria and Mr TAN Wee Seng will retire from office 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).

* Subject to the provisions on rotation and retirement in the articles of association of the Company.

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/her as a director in defending any proceedings, whether civil or criminal, in which judgement is given in his/her favour, or in which he/she is acquitted. All Directors have the benefit of Directors' and officers' liability insurance.

Biographical Information of Directors and Senior Management

The updated biographical information of the Directors and senior management are set out on pages 60 to 65 of this Annual Report.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 March 2019, 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	–	1,945,334,297[(2)]	–	1,986,062,297	64.16%
Dr KWOK LAW Kwai Chun Eleanor	–	40,728,000	1,945,334,297[(2)]	–	1,986,062,297	64.16%
Dr LOOK Guy	300,000	–	–	22,145,988[(3)]	22,445,988	0.73%
Ms LEE Yun Chun Marie-Christine	–	–	–	100,000[(4)]	100,000	0.00%
Ms TAM Wai Chu Maria	2,278,361	–	–	100,000[(4)]	2,378,361	0.08%
Ms KI Man Fung Leonie	–	–	–	100,000[(4)]	100,000	0.00%
Mr TAN Wee Seng	–	–	–	100,000[(4)]	100,000	0.00%

Notes:

(1) Base on 3,095,602,403 Shares in issue as at 31 March 2019.

(2) These Shares are held as to 1,506,926,594 Shares by Sunrise Height Incorporated and as to 438,407,703 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 2019 are disclosed in the share options section on page 163 of this report.

(4) Details of the derivatives interests in the shares of the Company of the non-executive directors (including INEDs) for the year ended 31 March 2019 are disclosed in the share options section on page 166 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 2019 are set out below:

Dr KWOK Siu Ming Simon

Name of associated corporation	Number of Deferred Shares in the 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

Name of associated corporation	Number of Deferred Shares in the 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.

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 section on pages 163 and 166, 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 2019, 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	1,506,926,594	48.68%
Green Ravine Limited [2]	Beneficial owner	438,407,703	14.16%

Notes:

(1) Base on 3,095,602,403 Shares in issue as at 31 March 2019.

(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 and Short Positions in Shares and Underlying Shares of Other Persons

As at 31 March 2019, 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, 20 June 2019

Independent Auditor's Report

羅兵咸永道

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 178 to 245, which comprise:

- the consolidated statement of financial position as at 31 March 2019;
- 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 2019, 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 judgment, 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 Matters	How our audit addressed the Key Audit Matters
Impairment of retail store assets	
Refer to Note 13 to the consolidated financial statements The Group had HK$351.1 million of property, plant and equipment as at 31 March 2019, of which approximately HK$127.3 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$6.0 million has been recognised in the consolidated income statement for the year. The recoverable amount of the assets of underperforming retail 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 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.	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; – 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.

Key Audit Matters	How our audit addressed the Key Audit Matters
Provision for inventory	
Refer to Note 16 to the consolidated financial statements The Group had net inventories of HK$1,414 million as at 31 March 2019, which represented approximately 41.5% 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 years. 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.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment 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.

- 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, 20 June 2019

Consolidated Income Statement

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Continuing operations			
Turnover	2	**8,375,900**	8,017,613
Cost of sales	5	**(4,958,102)**	(4,643,747)
Gross profit		**3,417,798**	3,373,866
Other income	2	**96,062**	93,211
Selling and distribution costs	5	**(2,655,732)**	(2,608,162)
Administrative expenses	5	**(322,338)**	(315,474)
Other gains – net	4	**6,988**	5,392
Operating profit		**542,778**	548,833
Finance income	8	**20,670**	11,778
Profit before income tax		**563,448**	560,611
Income tax expense	9	**(91,380)**	(95,368)
Profit for the year from continuing operations		**472,068**	465,243
Loss for the year from discontinued operation	10	**(1,316)**	(25,123)
Profit for the year attributable to owners of the Company		**470,752**	440,120
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**	15.4
Diluted	11	**15.4**	15.4
Earnings per share for profit attributable to owners of the Company for the year (expressed in HK cents per share)			
Basic	11	**15.4**	14.6
Diluted	11	**15.4**	14.6

The notes and disclosures on pages 185 to 245 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2019

	Note	**2019** **HK$'000**	2018 HK$'000
Profit for the year		**470,752**	440,120
Other comprehensive (loss)/income			
<u>Item that will not be reclassified subsequently to profit or loss</u>			
Actuarial (loss)/gain on retirement benefit obligations	23 (b)	**(2,016)**	3,707
<u>Items that may be reclassified to profit or loss</u>			
Cash flow hedges, net of tax		**(472)**	258
Currency translation differences of foreign subsidiaries recorded in translation reserve		**(20,851)**	41,139
Other comprehensive (loss)/income for the year, net of tax		**(23,339)**	45,104
Total comprehensive income for the year attributable to owners of the Company		**447,413**	485,224
Total comprehensive income for the year attributable to owners of the Company arises from:			
Continuing operations		**450,395**	508,142
Discontinued operation	10	**(2,982)**	(22,918)
		447,413	485,224

The notes and disclosures on pages 185 to 245 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**351,100**	340,166
Rental deposits, prepayments and other assets	14	**162,225**	151,256
Deferred tax assets	15	**4,808**	5,276
		518,133	496,698
Current assets			
Inventories	16	**1,413,726**	1,337,263
Trade receivables	17	**112,701**	145,417
Other receivables, deposits and prepayments	18	**221,274**	232,310
Time deposits	19	**589,512**	915,802
Cash and cash equivalents	19	**551,134**	449,558
		2,888,347	3,080,350
LIABILITIES			
Current liabilities			
Trade payables	20	**471,499**	619,702
Other payables and accruals	21	**328,851**	357,109
Income tax payable		**63,190**	60,670
		863,540	1,037,481
Net current assets		**2,024,807**	2,042,869
Total assets less current liabilities		**2,542,940**	2,539,567
Non-current liabilities			
Retirement benefit obligations	23	**5,643**	3,494
Deferred tax liabilities	15	**214**	268
Other payables		**50,475**	52,965
		56,332	56,727
Net assets		**2,486,608**	2,482,840

	Note	**2019 HK$'000**	2018 HK$'000
EQUITY			
Capital and reserves			
Share capital	24	**309,560**	303,885
Reserves	25	**2,177,048**	2,178,955
Total equity		**2,486,608**	2,482,840

On behalf of the Board

KWOK Siu Ming Simon
Chairman and CEO

KWOK LAW Kwai Chun Eleanor
Vice-chairman

The notes and disclosures on pages 185 to 245 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	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	Attributable to owners of the Company		
		Share capital HK$'000	Reserves HK$'000	Total HK$'000
Balance at 1 April 2018		303,885	2,178,955	2,482,840
Profit for the year		–	470,752	470,752
Other comprehensive loss:				
Actuarial loss on retirement benefit obligations		–	(2,016)	(2,016)
Cash flow hedges, net of tax		–	(472)	(472)
Currency translation differences of foreign subsidiaries recorded in translation reserve		–	(20,851)	(20,851)
Total comprehensive income for the year		–	447,413	447,413
Share award scheme:				
Shares purchased for share award scheme	24 & 25	–	(9,618)	(9,618)
Value of employee services	24 & 25	–	1,704	1,704
Employee share option scheme:				
Value of employee services	24 & 25	–	300	300
Proceeds from shares issued upon exercise of share options	24 & 25	118	5,586	5,704
Issue of shares upon scrip dividend of 2017/18 final and special dividends	24 & 25	5,216	184,646	189,862
Issue of shares upon scrip dividend of 2018/19 interim dividend	24 & 25	341	9,884	10,225
Unclaimed dividends forfeited	25	–	236	236
Dividends:				
2017/18 final and special dividends	25	–	(425,604)	(425,604)
2018/19 interim dividend	25	–	(216,454)	(216,454)
Total transactions with owners, recognised directly in equity		5,675	(449,320)	(443,645)
Balance at 31 March 2019		309,560	2,177,048	2,486,608

The notes and disclosures on pages 185 to 245 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Cash generated from operations	26(a)	**435,071**	820,280
Hong Kong profits tax paid		**(57,732)**	(44,813)
Overseas tax paid		**(31,106)**	(27,253)
Net cash generated from operating activities		**346,233**	748,214
Cash flows from investing activities			
Purchase of property, plant and equipment		**(133,580)**	(153,546)
Proceeds from disposal of property, plant and equipment	26(b)	**448**	1,613
Decrease/(increase) in time deposits		**326,290**	(402,778)
Interest received		**18,179**	8,494
Net cash generated from/(used in) investing activities		**211,337**	(546,217)
Cash flows from financing activities			
Purchase of shares for Share Award Scheme	24(b)	**(9,618)**	–
Unclaimed dividends forfeited		**236**	214
Proceeds from shares issued upon exercise of share options		**5,704**	63
Cash dividends paid to Company's shareholders		**(441,971)**	(222,892)
Net cash used in financing activities		**(445,649)**	(222,615)
Net increase/(decrease) in cash and cash equivalents		**111,921**	(20,618)
Cash and cash equivalents at beginning of year		**449,558**	455,701
Effect of foreign exchange rate changes		**(10,345)**	14,475
Cash and cash equivalents at end of year	19	**551,134**	449,558

The notes and disclosures on pages 185 to 245 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 199.

2 Changes in accounting policies and disclosures

(i) Amendments to standards and interpretation mandatory for the first time for the financial year beginning 1 April 2018 and were early adopted in prior years

- HKAS 28 (Amendment), "Investments in Associates and Joint Ventures"
- HKFRS 2 (Amendment), "Classification and Measurement of Share-based Payment Transactions"
- HK (IFRIC) 22, "Foreign Currency Transactions and Advance Consideration"

(ii) New standards and amendments to standard mandatory for the first time for the financial year beginning 1 April 2018 and were not early adopted in prior years

- HKFRS 1 (Amendment), "First Time Adoption of HKFRS"
- HKFRS 9, "Financial Instruments"
- HKFRS 15, "Revenue from Contracts with Customers"
- HKFRS 15 (Amendment), "Clarification to HKFRS 15"

The impact of the adoption of HKFRS 9, "Financial Instruments" and HKFRS 15, "Revenue from Contracts with Customers" are disclosed below. The other amendments to standard did not have any material impact on the preparation of the consolidated financial statements.

2 Changes in accounting policies and disclosures (continued)

(ii) New standards and amendments to standard mandatory for the first time for the financial year beginning 1 April 2018 and were not early adopted in prior years (continued)

HKFRS 9, "Financial Instruments"

(i) Impact of adoption

HKFRS 9, "Financial Instruments" replaces the provisions of HKAS 39, "Financial Instruments: Recognition and Measurement" that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 "Financial Instruments" from 1 April 2018 resulted in changes in accounting policies which set out in Note 7 in "Significant Accounting Policies" and Note 22 to the consolidated financial statement below. In accordance with the transition provisions in HKFRS 9, comparative figures have not been restated. The impacts of the adoption of HKFRS 9 are as follows:

Classification and measurement

On 1 April 2018, the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into appropriate HKFRS 9 categories. The Group's financial assets classified as loans and receivables, including "other receivables and deposits", "trade receivables", "time deposits" and "cash and cash equivalents", meet the conditions for classification at amortised costs under HKFRS 9. Therefore, there were no changes to the classification and measurement of financial instruments.

Impairment of financial assets

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. The Group's financial assets are subject to the new ECL model of this new HKFRS.

The Group has below types of financial assets that are subject to HKFRS 9's new ECL model:

- Trade receivables
- Other receivables and deposits
- Time deposits
- Cash at bank and short-term bank deposits

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. There is no impact of the change in impairment methodology on the Group's retained earnings and equity.

Trade receivables

The Group has applied the simplified approach and has calculated ECLs based on lifetime ECL. The Group has reviewed the calculation of provision which is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The identified impairment loss was immaterial.

2 Changes in accounting policies and disclosures (continued)

(ii) New standards and amendments to standard mandatory for the first time for the financial year beginning 1 April 2018 and were not early adopted in prior years (continued)

HKFRS 9, "Financial Instruments" (continued)

(i) Impact of adoption (continued)

Impairment of financial assets (continued)

Other receivables and deposits

Other receivables and deposits at amortised cost are considered to be low risk, and therefore the loss allowance is determined as 12 months ECL. The resulted increase of loss allowance for deposits and other receivables on 1 April 2018 was immaterial. The Group assessed for their impairment based on 12-month ECL: 12-month ECLs are the portion of lifetime ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the asset is less than 12 months). However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

While time deposits, cash at bank and short-term bank deposits are also subject to impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Hedge accounting

The new hedge accounting rules aligns the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be necessary to be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group has concluded that all current hedge arrangements are still eligible for hedge accounting under HKFRS 9 and there is no significant impact to the consolidated financial statements.

HKFRS 15, "Revenue from Contracts with Customers"

HKFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the Group's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The adoption of HKFRS 15 has resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transition provisions in HKFRS 15, the Group elected to use a modified retrospective approach which allows the Group to recognise the accumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. Thus, the comparative figures have not been restated.

The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and related interpretations. The new accounting policies are set out in Note 2. The impacts of the adoption of HKFRS 15 are as follows:

Presentation of contract liabilities

Certain "customers' deposits and temporary receipts" which were previously included in other payables and accruals amounting to HK$19,400,000 as at 1 April 2018, are now included under contract liabilities to reflect the terminology of HKFRS 15.

Timing of revenue recognition

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sale of goods.

2 Changes in accounting policies and disclosures (continued)

(iii) The following new standard and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2018 and have not been early adopted

- HKAS 1 (Amendment), "Amendments to Definition of Material" (effective for annual periods beginning on or after 1 April 2020). The amendment uses a consistent definition of materiality throughout HKFRS and the Conceptual Framework for Financial Reporting, clarifies the explanation of the definition of material, and incorporates some of the guidance in HKAS 1 about immaterial information.

- HKFRS 3 (Amendment), "Definition of a Business" (effective for annual periods beginning on or after 1 April 2020). The amendment revises the definition of business which an acquisition would have an input and substantive process that together significantly contribute to the ability to create outputs. This amendment also provides a framework to evaluate when an input and a substantive process are present.

- HKFRS 9 (Amendment), "Prepayment Features with Negative Compensation" (effective for annual periods beginning on or after 1 April 2019). The narrow-scope amendments made to HKFRS 9 Financial Instruments in December 2017 enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model.

- HKFRS 16, "Leases" (effective for annual periods beginning on or after 1 April 2019)

HKFRS 16, "Leases"

(i) 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.

(ii) Impact

The Group intends to apply the modified retrospective approach and will recognise the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 April 2019 and will not restate comparative information.

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 approximately HK$1.5 billion (Note 27(b)). Of these commitments, approximately HK$2.2 million relate to short-term leases which will be recognised on a straight-line basis as expense in the profit or loss in the year ending 31 March 2020. For the remaining operating lease commitments, the Group expects to recognise both right-of-use assets and lease liabilities of approximately HK$1.7 billion on 1 April 2019 (before the adjustment of deferred tax). In addition, the application of new requirements may result in changes in measurement, presentation and disclosure of leases.

2 Changes in accounting policies and disclosures (continued)

(iii) The following new standard and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2018 and have not been early adopted (continued)

HKFRS 16, "Leases" (continued)

(iii) Date of adoption by the Group

HKFRS 16 is mandatory for financial years starting on or after 1 April 2019. The new standard is not expected to be applied by the Group until the financial year ending 31 March 2020. The Group intends to apply the modified retrospective approach and will recognise the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 April 2019 and will not restate comparative information. Right-of-use assets will be measured on transition as if the new rules had always been applied.

Apart from aforementioned HKFRS 16, 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 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

From 1 April 2018, the Group classifies its financial assets in those to be measured at subsequently at fair value (either through other comprehensive income or profit or loss) and those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, 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 financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains – net" together with foreign exchange gains and losses.

(iv) Impairment

From 1 April 2018, the Group assesses on a forward looking basis the ECL associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires ECL to be recognised from initial recognition of the receivables. See Note 17 for further details.

(v) Accounting policies applied until 31 March 2018

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 March 2018, the Group classifies its financial assets as loans and receivables.

7 Financial assets (continued)

(v) Accounting policies applied until 31 March 2018 (continued)

The classification determined on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition. The Group's loan and receivables comprise trade and other receivables (Note 14, 17 and 18) and cash and bank balances (Note 19) in the consolidated statement of financial position.

(1) Subsequent measurement

The measurement at initial recognition did not change upon adoption of HKFRS 9, see description above.

Subsequent to the initial, recognition loans and receivables were subsequently carried at amortised cost using the effective interest method.

(2) Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was 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) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in income statement. If a loan had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could 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 was recognised in income statement.

Impairment testing of trade receivables is described in Note 1(ii) in "Financial Risk Management".

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 – net".

8 Foreign currency translation (continued)

(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.

(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.

9 Employee benefits (continued)

(ii) Retirement benefit obligations (continued)

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.

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).

10 Share-based payment (continued)

(i) Equity-settled share-based payment transactions (continued)

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.

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.

Financial Risk Management

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

The Group's credit risk is primarily attributable to deposits with banks and financial institutions, deposits and trade and other receivables with a maximum exposure equal to the carrying amounts of these financial instruments.

Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(a) Credit risk of deposits with banks and financial institutions

As at 31 March 2019, all bank balances and bank deposits are held at reputable financial institutions and there is no significant concentration risk to a single counterparty and there is no history of defaults from these counterparties. The ECL is close to zero.

(b) Credit risk of deposits and other receivables

Deposits and other receivables were mainly rental deposit and utilities and management fee deposits. The credit quality of deposits and other receivables has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. Given there is no history of defaults from these counterparties, the directors of the Company are of the opinion that the risk of default is not significant and does not expect any losses from non-performance by the counterparties. Therefore, ECL rate of the deposits and other receivables is assessed to be minimal.

(c) Credit risk 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.

1 Financial risk factors (continued)

(ii) Credit risk (continued)

(c) Credit risk of trade receivables (continued)

Trade receivables are due within 90 days from the date of invoice. As at 31 March 2019, 97.2% (2018: 85.1%) of the total trade receivables were due within 90 days. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 17.

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables.

To measure the ECL, trade receivables have been grouped based on share credit risk characteristics and the day past due. The ECL rates are based on the payment profiles of sales over a period of 36 months before 1 April 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The ECL provided on a collective basis is insignificant as there was no history of material default from the trade receivables.

For trade receivables relating to accounts in which objective evidence that the debtor faces significant financial difficulties or enter liquidation, they are assessed individually for impairment allowance. Accordingly, specific loss allowance of HK$2,263,000 (2018: HK$772,000) were made as at 31 March 2019.

Movements on the Group's provision for impairment of trade receivables are disclosed in Note 17.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(d) Previous accounting policy for impairment of financial assets

In prior year, the impairment of financial assets was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The trade receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Company considered that there was evidence of impairment if any of the following indicators were present:

– Significant financial difficulties of the debtor;

– Probability that the debtor will enter bankruptcy or financial reorganisation; and

– Default or late payments.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

(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 2019, the Group's financial liabilities were mainly trade payables and other payables amounting to HK$634,360,000 (2018: HK$808,575,000), 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 2019 and 2018, 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 2019 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 2019

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Derivatives used for hedging				
– Forward foreign exchange contracts	–	16	–	16
Total assets	–	16	–	16
Liabilities				
Derivatives used for hedging				
– Forward foreign exchange contracts	–	130	–	130
Total liabilities	–	130	–	130

3 Fair value estimation (continued)

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

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 2019 and 2018.

There were no changes in valuation techniques during the years ended 31 March 2019 and 2018.

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 2019, the Group did not recognise deferred tax assets of HK$68,299,000 (2018: HK$82,700,000) in respect of tax losses and capital allowances amounting to HK$295,096,000 (2018: HK$361,194,000) and HK$36,199,000 (2018: HK$39,432,000) 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 was impairment for plant and equipment totally HK$5,969,000 (2018: HK$5,669,000). 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 2019, 48.7% and 14.2% of the total issued shares of the Company were owned by Sunrise Height Incorporated and Green Ravine Limited respectively, companies incorporated in the British Virgin Islands. These companies are owned 50.0% each by Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor, as being the ultimate controlling parties 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 20 June 2019.

2 Revenue and turnover

Accounting Policy

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the retail and wholesales of cosmetic products, stated net of value added taxes, returns, rebates and discounts.

Revenue is recognised when specific criteria have been met for the Group's activity described below:

Sale of goods – retail and e-commerce transactions
The Group sells cosmetic products through chain of retail stores and e-commerce platforms. Revenue from the sale of goods is recognised when a group entity sells and has delivered a product to the customer and the Group received sales and acceptance confirmations, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Payment of the transaction price is due immediately when the customer purchases the goods. Accordingly, the group's online sale is recognised when the product is received by customer. The Group estimates the sales return provision based on accumulated experience and considered that no provision is recognised as the amount of returns are immaterial.

Sale of goods – wholesale
Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products.

The goods are often sold with sales discounts. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts, if any. No element of financing is deemed present.

Slide display rental income
Slide display rental income is recognised on an accrual basis in accordance with the terms of the relevant agreements.

Sub-lease income
Sub-lease income is recognised on a straight-line basis over the term of the operating lease.

2 Revenue and turnover (continued)

Accounting Policy (continued)

Customer loyalty programme

The Group operates a customer loyalty programme, where certain customers accumulate points for purchases made which entitle them to purchase goods for free or at a discount price. Prior to adoption of HKFRS 15, the customer loyalty program offered by the Group resulted in the allocation of a portion of the transaction price to the customer loyalty program using the fair value of award credits granted for which they could be redeemed and recognition of deferred revenue in relation to award credits granted but not yet redeemed or expired. After the adoption of HKFRS 15, the customer loyalty program gives rise to a separate performance obligation because they provide a material right to the customer and allocated a portion of the transaction price to the loyalty credits awarded to customers based on the relative stand-alone selling price. All awarded points are expired on 31 March and there were no material award points outstanding as at year end.

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers the promised goods to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer the promised goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

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:

	2019 **HK$'000**	2018 HK$'000
Turnover – revenue recognised under HKFRS 15		
Retail and wholesale	**8,375,900**	8,017,613
Other income – revenue recognised under other accounting standard		
Slide display rental income	**65,479**	60,894
Sub-lease income	**30,583**	32,317
	96,062	93,211
	8,471,962	8,110,824

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.

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.

The breakdown of key segment information including total turnover from external customers is disclosed below.

	For the year ended 31 March 2019				
	Hong Kong & Macau HK$'000	Mainland China HK$'000	E-commerce HK$'000	All other segments HK$'000	Total HK$'000
Turnover	7,091,830	287,762	391,829	604,479	8,375,900
Segment results	512,230	(16,086)	(26,461)	2,385	472,068
Other information					
Capital expenditure	99,603	4,931	662	26,380	131,576
Finance income	18,570	209	80	1,811	20,670
Income tax expense/(credit)	93,199	–	(9,946)	8,127	91,380
Depreciation	81,407	6,439	1,664	21,775	111,285
Provision for slow moving inventories and shrinkage	21,821	465	5,023	6,747	34,056
Impairment of property, plant and equipment	3,678	2,291	–	–	5,969

3 Segment information (continued)

	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

	Hong Kong & Macau HK$'000	**Mainland China HK$'000**	**E-commerce HK$'000**	**All other segments HK$'000**	**Total HK$'000**
At 31 March 2019					
Non-current assets	**446,086**	**11,819**	**6,935**	**53,293**	**518,133**
Current assets	**2,367,208**	**137,686**	**115,494**	**267,959**	**2,888,347**
Total assets as per consolidated statement of financial position					**3,406,480**
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

4 Other gains – net

	Significant Accounting Policies No. 8	
	2019	2018
	HK$'000	HK$'000
Net exchange gains	**6,988**	5,392

5 Expenses by nature

	2019	2018
	HK$'000	HK$'000
Cost of inventories sold	**4,924,046**	4,609,105
Employee benefit expenses (including directors' emoluments) (Note 6)	**1,170,658**	1,132,105
Operating lease rentals in respect of land and buildings		
– minimum lease payments	**895,822**	890,363
– contingent rent	**48,061**	62,583
Advertising and promotion expenses	**114,441**	115,118
Depreciation of property, plant and equipment (Note 13)	**111,285**	97,725
Building management fees, government rent and rates	**108,554**	110,299
Transportation, storage and delivery charges	**60,941**	68,077
Utilities and telecommunication	**51,796**	54,079
Repair and maintenance	**49,507**	39,416
Provision for slow moving inventories and shrinkage (Note 16)	**34,056**	34,642
Sub-lease expenses	**28,946**	30,507
Impairment of property, plant and equipment (Note 13)	**5,969**	3,290
Auditors' remuneration		
– audit services	**3,672**	3,522
– non-audit services	**1,713**	2,217
Donations	**4,960**	4,696
Write-off of property, plant and equipment (Note 13)	**991**	3,180
Others	**320,754**	306,459
	7,936,172	7,567,383
Representing:		
Cost of sales	**4,958,102**	4,643,747
Selling and distribution costs	**2,655,732**	2,608,162
Administrative expenses	**322,338**	315,474
	7,936,172	7,567,383

6 Employee benefit expenses (including directors' emoluments)

Significant Accounting Policies No. 9

	2019	2018
	HK$'000	HK$'000
Basic salaries, bonuses, housing allowances, other allowances and benefits-in-kind	**1,112,294**	1,063,951
Retirement benefit costs (Note 23(b))	**51,861**	50,963
Share-based payment (Note 24(c))	**2,004**	1,065
Provision for unutilised annual leave	**3,162**	14,698
Directors' fees	**1,337**	1,428
	1,170,658	1,132,105

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 (2018: 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$150,000 and HK$80,000 (2018: 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:

	2019	2018
	HK$'000	HK$'000
Directors' fees	**1,337**	1,428
Basic salaries, housing allowances, other allowances and benefits-in-kind	**8,728**	8,632
Discretionary bonuses	**454**	454
Retirement benefit costs	**350**	571
Share-based payment	**300**	287
	11,169	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 2019						
Executive Directors						
Dr KWOK Siu Ming Simon (iv)	–	2,858	238	–	–	3,096
Dr KWOK LAW Kwai Chun Eleanor	–	2,594	216	121	–	2,931
Dr LOOK Guy	–	3,276	–	229	–	3,505
Non-executive Director						
Ms LEE Yun Chun Marie-christine	257	–	–	–	75	332
Independent Non-executive Directors						
Ms TAM Wai Chu Maria	337	–	–	–	75	412
Ms KI Man Fung Leonie	337	–	–	–	75	412
Mr TAN Wee Seng	406	–	–	–	75	481
	1,337	8,728	454	350	300	11,169

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 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

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 year ended 31 March 2019, 400,000 share options were granted to one non-executive director and three independent non-executive directors under the 2012 Share Option Scheme (2018: Nil).

(iii) During the year ended 31 March 2018, 100,000 shares were awarded to the executive director under the Share Award Scheme. All awarded shares which were vested as at 31 March 2019 are not subject to 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.

No compensation for loss of office has been paid to the directors for the years ended 31 March 2019 and 2018.

No director of the Company waived any emoluments during the years ended 31 March 2019 and 2018.

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 (2018: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2018: two) individuals during the year were as follows:

	2019	2018
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**6,785**	3,866
Share-based payment	**–**	180
Discretionary bonuses	**185**	322
Retirement benefit costs	**174**	270
	7,144	4,638

The emoluments of the individuals fell within the following bands:

	Number of individuals	
Emoluments bands	**2019**	2018
HK$2,000,001 – HK$2,500,000	**–**	1
HK$2,500,001 – HK$3,000,000	**1**	1
HK$4,500,001 – HK$5,000,000	**1**	–

(c) Senior management emoluments (excluding directors' emoluments)

The details of the senior management emoluments (excluding directors' emoluments) payable during the year were as follows:

	2019	2018
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**7,158**	5,665
Share-based payment	**963**	78
Discretionary bonuses	**581**	419
Retirement benefit costs	**407**	488
	9,109	6,650

7 Director and senior management emoluments (continued)

(c) Senior management emoluments (excluding directors' emoluments) (continued)

The emoluments of the individuals fell within the following bands:

Emoluments bands	Number of individuals 2019	2018
HK$500,001 – HK$1,000,000	–	1
HK$1,500,001 – HK$2,000,000	**2**	2
HK$2,500,001 – HK$3,000,000	**2**	1
	4	4

8 Finance income

Accounting Policy

Interest income is recognised on a time-proportion basis using the effective interest method.

	2019 HK$'000	2018 HK$'000
Interest income on bank deposits	**18,207**	10,037
Others	**2,463**	1,741
Finance income	**20,670**	11,778

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% (2018: 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.

	2019 HK$'000	2018 HK$'000
Current tax:		
Hong Kong profits tax		
Current	**62,580**	55,625
Over-provision in previous years	**(508)**	(549)
Overseas taxation		
Current	**28,992**	32,710
Under/(over)-provision in previous years	**158**	(21)
Total current tax	**91,222**	87,765
Deferred tax (Note 15):		
Origination and reversal of temporary differences	**158**	8,964
Income tax expense	**91,380**	96,729
Income tax expense is attributable to:		
Profit from continuing operations	**91,380**	95,368
Loss from discontinued operation	**–**	1,361
	91,380	96,729

9 Income tax expense (continued)

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:

	2019 **HK$'000**	2018 HK$'000
Profit before income tax from continuing operations	**563,448**	560,611
Loss before income tax from discontinued operation	**(1,316)**	(23,762)
	562,132	536,849
Tax calculated at a taxation rate of 16.5% (2018: 16.5%)	**92,752**	88,580
Effect of different taxation rates in other countries (Note)	**(6,616)**	(7,466)
Expenses not deductible for income tax purposes	**6,857**	9,462
Income not subject to income tax	**(4,813)**	(2,531)
Unrecognised tax losses	**3,550**	7,893
Derecognition of previously recognised deferred income tax assets	**–**	1,361
Over-provision in previous years	**(350)**	(570)
Income tax expense	**91,380**	96,729

Note:

The Group was subject to different tax jurisdictions mainly in Macau, Malaysia, Mainland China, and Singapore with tax rate ranged from 12% to 25% (2018: 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.

10 Discontinued operation (continued)

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 2019 and 2018 are presented below:

	2019 **HK$'000**	2018 HK$'000
Turnover	**13,259**	213,161
Other income and gains – net	**18**	2,413
Cost of sales and expenses	**(14,593)**	(239,336)
Loss before income tax	**(1,316)**	(23,762)
Income tax expense	**–**	(1,361)
Loss from discontinued operation	**(1,316)**	(25,123)
Actuarial gains on retirement benefit obligation	**–**	55
Currency translation differences of foreign subsidiaries recorded in translation reserve	**(1,666)**	2,150
Total comprehensive loss from discontinued operation	**(2,982)**	(22,918)

Loss for the year of discontinued operation has been arrived at after charging:

	2019 **HK$'000**	2018 HK$'000
Write-off of property, plant and equipment (Note 13)	**–**	4,277
Depreciation of property, plant and equipment (Note 13)	**–**	3,542
Impairment of property, plant and equipment (Note 13)	**–**	2,379
Provision for slow moving inventories and shrinkage (Note 16)	**–**	2,016

The net cash flows incurred by the discontinued operation are as follow:

	2019 **HK$'000**	2018 HK$'000
Net cash (used in)/generated from operating activities	**(1,268)**	25,015
Net cash generated from/(used in) investing activities	**20**	(458)
Net cash used in financing activities	**(38,701)**	(1,092)
Net (decrease)/increase in cash generated from discontinued operation	**(39,949)**	23,465

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.

	2019 HK$'000	2018 HK$'000
Profit from continuing operations attributable to owners of the Company	**472,068**	465,243
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the year (thousands)	**3,060,494**	3,009,172

(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 and future service cost. For shares held under the Share Award Scheme, awarded shares granted to the employees but not yet vested as at 31 March 2019 has been included in the number of shares.

	2019 HK$'000	2018 HK$'000
Profit from continuing operations attributable to owners of the Company	**472,068**	465,243
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the year (thousands)	**3,060,494**	3,009,172
Adjustment for share options and awarded shares (thousands)	**685**	702
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**3,061,179**	3,009,874

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:

	2019 HK$'000	2018 HK$'000
Profit from continuing operations attributable to owners of the Company	**472,068**	465,243
Loss from discontinued operation attributable to owners of the Company	**(1,316)**	(25,123)
Profit for the purpose of basic and diluted earnings per share from continuing and discontinued operations	**470,752**	440,120

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing operations.

11 Earnings per share (continued)

From discontinued operation

The basic and diluted loss per share for the discontinued operation is 0.04 HK cents per share (2018: Basic and diluted loss of 0.8 HK cents per share).

The calculations of basic and diluted loss per share from the discontinued operation are based on:

	2019 HK$'000	2018 HK$'000
Loss attributable to owners of the Company from the discontinued operation	**(1,316)**	(25,123)
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the year (thousands)	**3,060,494**	3,009,172

During the year ended 31 March 2019 and 2018, 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 or directors, where appropriate.

	2019 HK$'000	2018 HK$'000
Interim, paid – 7.0 HK cents (2018: 3.5 HK cents) per share	**216,454**	105,789
Final, proposed – 9.0 HK cents (2018: 11.0 HK cents) per share	**278,604**	334,368
Special, proposed – Nil (2018: 3.0 HK cents) per share	**–**	91,192
	495,058	531,349

For final dividend, scrip dividend election was offered to all shareholders. At a meeting held on 20 June 2019, the directors proposed a final dividend of 9.0 HK cents per share per share. The final dividend will be payable in cash with a scrip dividend alternative. This proposed dividend has 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 2020 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 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
Year ended 31 March 2019					
Opening net book amount	130,294	156,049	50,100	3,723	340,166
Exchange differences	–	(1,800)	(596)	–	(2,396)
Additions	–	98,583	31,561	1,432	131,576
Disposals	–	–	(1)	–	(1)
Write-off	–	(403)	(588)	–	(991)
Depreciation	(5,629)	(77,013)	(26,872)	(1,771)	(111,285)
Impairment losses	–	(5,231)	(738)	–	(5,969)
Closing net book amount	**124,665**	**170,185**	**52,866**	**3,384**	**351,100**
At 31 March 2019					
Cost	**190,790**	**680,635**	**280,687**	**20,123**	**1,172,235**
Accumulated depreciation and impairment	**(66,125)**	**(510,450)**	**(227,821)**	**(16,739)**	**(821,135)**
Net book amount	**124,665**	**170,185**	**52,866**	**3,384**	**351,100**

(a) Depreciation expense of HK$91,660,000 (2018: HK$78,251,000) was included in selling and distribution costs from continuing operations, HK$19,625,000 (2018: HK$19,474,000) was included in administrative expenses from continuing operations and nil (2018: HK$3,542,000) was included in loss for the year from discontinued operation.

(b) Write-off of plant and equipment of HK$991,000 (2018: HK$3,180,000) was included in selling and distribution costs from continuing operations and nil (2018: HK$4,277,000) was included in loss for the year from discontinued operation.

(c) As at 31 March 2019, net book amount of retail store assets amounted to HK$127,341,000 (2018: HK$100,443,000). 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$5,969,000 (2018: HK$3,290,000) and nil (2018: HK$2,379,000) 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	
	2019	2018
	HK$'000	HK$'000
Rental and other deposits	**151,615**	145,429
Prepayments	**5,058**	275
Others	**5,552**	5,552
	162,225	151,256

Rental deposits are carried at amortised cost using the effective interest rate of 0.66% to 1.55% per annum (2018: 0.66% to 1.39% per annum). As at 31 March 2019, 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:

	2019 HK$'000	2018 HK$'000
At beginning of the year	**5,008**	13,293
Deferred tax charged to the income statement (Note 9)	**(158)**	(8,964)
Exchange differences	**(256)**	679
At end of the year	**4,594**	5,008

	2019 HK$'000	2018 HK$'000
Deferred tax assets	**4,808**	5,276
Deferred tax liabilities	**(214)**	(268)
Deferred tax assets – net	**4,594**	5,008

As at 31 March 2019, 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**	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
At beginning of the year	**2,511**	9,108	**3,747**	4,563	**–**	138	**6,258**	13,809
Credited/(charged) to the income statement	**12**	(6,820)	**(306)**	(1,272)	**–**	(138)	**(294)**	(8,230)
Exchange differences	**(117)**	223	**(139)**	456	**–**	–	**(256)**	679
At end of the year	**2,406**	2,511	**3,302**	3,747	**–**	–	**5,708**	6,258

Deferred tax liabilities	**Accelerated tax depreciation**	
	2019 HK$'000	2018 HK$'000
At beginning of the year	**1,250**	516
(Credited)/charged to the income statement	**(136)**	734
At end of the year	**1,114**	1,250

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$68,299,000 (2018: HK$82,700,000) in respect of tax losses amounting to HK$295,096,000 (2018: HK$361,194,000) and capital allowances amounting to HK$36,199,000 (2018: HK$39,432,000) that can be carried forward against future taxable income. Tax losses amounting to HK$150,921,000 (2018: HK$209,739,000) and HK$45,989,000 (2018: HK$50,254,000) will expire within 1-5 years and 5-10 years respectively from 31 March 2019. 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.

	2019 **HK$'000**	2018 HK$'000
Merchandise for resale	**1,413,726**	1,337,263

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$4,924,046,000 (2018: HK$4,609,105,000) and HK$9,988,000 (2018: HK$116,669,000) respectively.

During the year, the Group has made a provision of HK$34,056,000 for slow moving inventories and shrinkage (2018: HK$36,658,000) and was included in cost of sales from continuing operations and loss for the year from discontinued operation amounted to HK$34,056,000 (2018: HK$34,642,000) and nil (2018: HK$2,016,000) 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 the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Please refer to **Significant Accounting Policies No.7 (iv)** for policies on impairment of financial assets.

	2019 **HK$'000**	2018 HK$'000
Trade receivables	**114,964**	146,189
Less: provision for impairment losses on trade receivables	**(2,263)**	(772)
Trade receivables – net	**112,701**	145,417

The carrying amounts of trade receivables approximate their fair values.

17 Trade receivables (continued)

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 date of trade receivables is as follows:

	2019 **HK$'000**	2018 HK$'000
Within 1 month	**87,391**	106,084
1 to 3 months	**22,140**	17,694
Over 3 months	**3,170**	21,639
	112,701	145,417

Movement in the Group's provision for impairment of trade receivables is as follows:

	2019 **HK$'000**	2018 HK$'000
At 1 April	**772**	1,047
Provision/(reversal) for impairment	**1,525**	(330)
Exchange differences	**(34)**	55
At 31 March	**2,263**	772

The Group applies HKFRS 9 simplified approach to measure ECL, which uses a lifetime expected loss allowance for all trade receivables. For details of the calculation of the allowance, the Group's exposure to credit risk, as well as the risk management, please refer to Note 1(ii) in "Financial Risk Management".

Trade receivables are denominated in the following currencies:

	2019 **HK$'000**	2018 HK$'000
Hong Kong dollar	**59,511**	75,580
Renminbi	**47,211**	54,387
Singapore dollar	**3,205**	2,848
Others	**2,774**	12,602
	112,701	145,417

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 (iv)** for policies on impairment of financial assets.

	2019 **HK$'000**	2018 HK$'000
Rental and other deposits	**144,678**	151,318
Other receivables and payment in advance	**47,989**	50,509
Prepayments	**28,591**	28,577
Retirement benefit obligations (Note 23(a))	**–**	1,495
Forward foreign exchange contracts (Note 22)	**16**	411
	221,274	232,310

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.

	2019 **HK$'000**	2018 HK$'000
Time deposits	**589,512**	915,802
Short-term bank deposits	**340,909**	123,412
Cash at bank and on hand	**210,225**	326,146
Cash and cash equivalents	**551,134**	449,558
Total	**1,140,646**	1,365,360

19 Cash and bank balances (continued)

Cash and bank balances are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
Hong Kong dollar	**930,791**	1,119,062
Malaysian Ringgit	**54,925**	70,562
US dollar	**40,711**	12,192
Renminbi	**38,133**	39,064
Macau Pataca	**23,930**	15,099
Swiss Franc	**19,379**	11,292
Singapore dollar	**19,169**	18,150
Euro	**6,791**	29,379
New Taiwan dollar	**1,511**	43,451
Others	**5,306**	7,109
	1,140,646	1,365,360

The year-end effective interest rate on time deposits over three months was 2.39% per annum (2018: 1.67% per annum). These deposits have an average maturity of 6 months (2018: 6 months).

The year-end effective interest rate on short-term bank deposits was 2.03% per annum (2018: 1.07% per annum). These deposits have an average maturity of 1 month (2018: 1 month).

As at 31 March 2019, out of the total cash and bank balances denominated in Renminbi and Malaysian Ringgit as stated above, approximately HK$73,848,000 (2018: HK$94,006,000) 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.

20 Trade payables (continued)

The ageing analysis based on invoice date of trade payables is as follows:

	2019	2018
	HK$'000	HK$'000
Within 1 month	**370,818**	475,588
1 to 3 months	**86,687**	127,437
Over 3 months	**13,994**	16,677
	471,499	619,702

The carrying amounts of trade payables approximate their fair values.

Trade payables are denominated in the following currencies:

	2019	2018
	HK$'000	HK$'000
Hong Kong dollar	**298,974**	360,883
US dollar	**53,117**	88,785
Euro	**40,579**	50,357
Renminbi	**30,374**	42,448
Swiss Franc	**14,392**	7,140
Malaysian Ringgit	**14,074**	9,294
Japanese Yen	**8,286**	10,999
South Korean Won	**5,947**	32,984
Singapore dollar	**5,400**	6,780
New Taiwan dollar	**2**	9,121
Others	**354**	911
	471,499	619,702

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.

	2019 **HK$'000**	2018 HK$'000
Accrued staff costs	**122,314**	118,492
Accrued rental related expenses	**40,107**	37,344
Contract liabilities	**25,933**	33,042
Accrued capital expenditure	**24,930**	26,935
Accrued advertising and promotion expenses	**18,784**	27,061
Valued-added tax and other tax payables	**17,250**	18,840
Accrued transportation expenses	**13,252**	15,169
Forward foreign exchange contracts (Note 22)	**130**	66
Other payables and accruals	**66,151**	80,160
	328,851	357,109

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 accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates its derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At the inception of the hedging, the Group documents the economic, relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

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.

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in income statement within "other gains – net".

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 generally designates the full change in fair value of the forward contract as the hedging instrument. Gains or losses relating to the effective portion of the change in the fair value of the forward foreign exchange contracts are recognised in the cash flow hedge reserve within equity.

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 – net".

22 Forward foreign exchange contracts (continued)

	2019		2018	
	Current assets HK$'000	**Current liabilities HK$'000**	Current assets HK$'000	Current liabilities HK$'000
Forward foreign exchange contracts – cash flow hedge	**16**	**130**	411	66

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 2019, the notional principal amount of the outstanding forward foreign exchange contracts under cash flow hedges was HK$21,953,000 (2018: HK$38,273,000). 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 2019 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

	2019 HK$'000	2018 HK$'000
Retirement benefit obligations (asset)/liability on:		
– defined benefit plan (Note (b)(ii))	–	(1,495)
– long service payments (Note (b)(iii))	5,643	3,494
	5,643	1,999
Representing:		
– Current assets included in other receivables, deposits and prepayments (Note 18)	–	(1,495)
– Non-current liabilities	5,643	3,494
	5,643	1,999

(b) Retirement benefit costs

	2019 HK$'000	2018 HK$'000
Retirement benefit costs charged to income statement:		
Retirement benefit costs		
– defined contribution plans (Note (i))	51,662	52,628
– defined benefit plan (Note (ii))	–	(791)
	51,662	51,837
– long service payments (Note (iii))	199	254
	51,861	52,091
Representing:		
– Employee benefit expenses from continuing operations (Note 6)	51,861	50,963
– Loss for the year from discontinued operation	–	1,128
	51,861	52,091
Retirement benefit costs (credited)/charged to other comprehensive income:		
– defined benefit plan (Note (ii))	–	(55)
– long service payments (Note (iii))	2,016	(3,652)
	2,016	(3,707)

23 Retirement benefit obligations (continued)

(b) Retirement benefit costs (continued)

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.

(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 previously contributed 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. During the year ended 31 March 2019, the outstanding obligations were fully settled from the funds contributed.

The amounts recognised in the consolidated statement of financial position are determined as follows:

	2019 **HK$'000**	2018 HK$'000
Present value of funded obligations	–	2,000
Fair value of plan assets	–	(3,495)
Net asset in the statement of financial position (Note (a))	–	(1,495)

23 Retirement benefit obligations (continued)

(b) Retirement benefit costs (continued)

Notes: (continued)

(ii) (continued)

The movements of the defined benefit plan during the year ended 31 March 2018 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)

The principal actuarial assumptions used are as follows:

	2018
Discount rate	1.5%
Expected rate of future salary increases	3.0%

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 2019 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 follow:

	Present value of obligations	
	2019	2018
	HK$'000	HK$'000
At 1 April	**3,494**	7,101
Current service cost	**128**	136
Interest cost on scheme assets	**71**	118
Retirement benefit costs charged to income statement	**199**	254
Remeasurements:		
Actuarial loss/(gain) – experience	**2,466**	(3,484)
Actuarial loss/(gain) – financial assumptions	**211**	(167)
Actuarial gain – demographic assumptions	**(661)**	(1)
Retirement benefit costs charged/(credited) to other comprehensive income	**2,016**	(3,652)
Benefits paid directly by the employer	**(66)**	(209)
At 31 March	**5,643**	3,494

The principal actuarial assumptions used are as follows:

	2019	2018
Discount rate	**1.8%**	2.1%
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 2018 and 2019	8,000,000,000	800,000
Issued and fully paid shares of HK$0.1 each		
At 1 April 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
Issue of share upon exercise of share option	1,180,000	118
Issue of shares upon scrip dividend of 2017/18 final and special dividends	52,159,796	5,216
Issue of shares upon scrip dividend of 2018/19 interim dividend	3,408,209	341
At 31 March 2019	**3,095,602,403**	**309,560**

(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 authorised 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 on or before 31 March 2018 to a director of the Company and certain key management personnel, which are to be vested after the selected employees completed a period of services in the Group from one to three years from the grant date or achieved certain performance targets set by the Board. All outstanding share options have been vested.

During the year ended 31 March 2019, a total of 400,000 (31 March 2018: Nil) share options were granted to a non-executive director and three independent non-executive directors under the 2012 Share Option Scheme and will be vested on 13 April 2020.

Movements in the number of share options outstanding are as follows:

	No. of share options year ended 31 March	
	2019	2018
At beginning of the year	**34,181,988**	34,989,988
Granted	**400,000**	–
Exercised	**(1,180,000)**	(20,000)
Lapsed	**(445,000)**	(788,000)
At end of the year	**32,956,988**	34,181,988

The weighted average closing price at the date of exercise of options exercised during the year ended 31 March 2019 was HK$5.47 (2018: HK$4.11).

The expiry dates and subscription prices of the share options outstanding as at 31 March 2019 and 2018 are set out as follows:

Expiry dates	**Subscription price per Share (HK$)**	**No. of share options outstanding as at 31 March 2019**	2018
2002 Share Option Scheme			
29 September 2020	3.16	**532,000**	562,000
16 June 2021	4.95	**1,860,000**	2,270,000
28 February 2022	4.77	**22,145,988**	22,145,988
28 June 2022	4.85	**3,007,000**	3,945,000
2012 Share Option Scheme			
20 June 2023	8.07	**5,012,000**	5,259,000
12 April 2028	4.65	**400,000**	–
		32,956,988	34,181,988
Weighted average remaining contractual life of options outstanding at end of the year		**3.15 years**	4.08 years

24 Share capital (continued)

(a) Share options (continued)

The weighted average fair value of share options granted during the year was determined using the binomial lattice model, prepared by Roma Appraisals Limited, was HK$1.55 per option. The significant inputs into the model were share price of HK$4.65 at the grant date, subscription price of HK$4.65, volatility of 42.2%, dividend yields of 3.7%, an expected option life of around 10 years and an annual risk-free interest rate of 1.9%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last 10 years.

(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 one month to three 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 2018, no share was acquired by the Company. During the year ended 31 March 2019, the Company acquired 2,000,000 of its own shares on the Stock Exchange for the Share Award Scheme. The total amount paid to acquire these shares was HK$9,618,000 and has been debited to the shareholders' equity. During the year ended 31 March 2019, 164,618 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	
	2019	2018
At beginning of the year	**475,000**	720,000
Awarded (Note)	**370,000**	700,000
Vested	**(305,000)**	(625,000)
Lapsed	**(105,000)**	(320,000)
At end of the year	**435,000**	475,000

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$4.98 (2018:HK$2.89).

24 Share capital (continued)

(b) Share award (continued)

Details of the awarded shares outstanding as at 31 March 2019 were set out as follows:

			Number of awarded shares				
Date of award	Average fair value per share (HK$)	Vesting period*	Outstanding as at 1 April 2018	Awarded during the year	Vested during the year	Lapsed during the year	Outstanding as at 31 March 2019
29 Jan 2016	2.12	29 Jan 2016 to 29 Jan 2019	15,000	–	–	(15,000)	–
29 Jul 2016	3.38	29 Jul 2016 to 29 Jul 2019	50,000	–	(25,000)	–	25,000
31 Jul 2017	2.87	31 Jul 2017 to 31 Mar 2020	310,000	–	(160,000)	(40,000)	110,000
30 Nov 2017	3.01	30 Nov 2017 to 21 Aug 2020	100,000	–	–	(50,000)	50,000
29 Jun 2018	4.98	29 Jun 2018 to 23 May 2021	–	370,000	(120,000)	–	250,000
			475,000	**370,000**	**(305,000)**	**(105,000)**	**435,000**

* 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:

	2019 HK$'000	2018 HK$'000
Expenses recognised by share option scheme	**300**	–
Expenses recognised by share award scheme	**1,704**	1,065
	2,004	1,065

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 2018	1,198,791	(1,639)	11,783	59,704	391	(21,541)	931,466	2,178,955
Profit for the year	–	–	–	–	–	–	470,752	470,752
Other comprehensive loss:								
Actuarial loss on retirement benefit obligations	–	–	–	–	–	–	(2,016)	(2,016)
Cash flow hedges, net of tax	–	–	–	–	(472)	–	–	(472)
Currency translation differences of foreign subsidiaries recorded in translation reserve	–	–	–	–	–	(20,851)	–	(20,851)
Total comprehensive income for the year	–	–	–	–	(472)	(20,851)	468,736	447,413
Share award scheme:								
Shares purchased for share award scheme	–	(9,618)	–	–	–	–	–	(9,618)
Value of employee services	–	–	–	1,704	–	–	–	1,704
Vesting of shares under share award scheme	–	1,337	–	(1,141)	–	–	(196)	–
Employee share option scheme:								
Value of employee services	–	–	–	300	–	–	–	300
Proceeds from shares issued upon exercise of share options	5,586	–	–	–	–	–	–	5,586
Transfer of reserve upon exercise of options	1,737	–	–	(1,737)	–	–	–	–
Lapse of share options	–	–	–	(834)	–	–	834	–
Issue of shares upon scrip dividend of 2017/18 final and special dividends (Note 24)	184,646	–	–	–	–	–	–	184,646
Issue of shares upon scrip dividend of 2018/19 interim dividend (Note 24)	9,884	–	–	–	–	–	–	9,884
Unclaimed dividends forfeited	–	–	–	–	–	–	236	236
Dividends:								
2017/18 final and special dividends	–	–	–	–	–	–	(425,604)	(425,604)
2018/19 interim dividend	–	–	–	–	–	–	(216,454)	(216,454)
Total transactions with owners, recognised directly in equity	201,853	(8,281)	–	(1,708)	–	–	(641,184)	(449,320)
At 31 March 2019	**1,400,644**	**(9,920)**	**11,783**	**57,996**	**(81)**	**(42,392)**	**759,018**	**2,177,048**

26 Cash flow information

(a) Cash generated from operations

	2019 HK$'000	2018 HK$'000
Profit for the year from continuing operations	**472,068**	465,243
Loss for the year from discontinued operation	**(1,316)**	(25,123)
Profit for the year including discontinued operation	**470,752**	440,120
Adjustments for:		
– Income tax expense	**91,380**	96,729
– Depreciation of property, plant and equipment	**111,285**	101,267
– Impairment of property, plant and equipment	**5,969**	5,669
– Write-off of property, plant and equipment	**991**	7,457
– Provision for slow moving inventories and shrinkage	**34,056**	36,658
– Gains on disposal of property, plant and equipment	**(447)**	(1,255)
– Share-based payment	**2,004**	1,065
– Finance income	**(20,690)**	(11,837)
	695,300	675,873
Changes in working capital:		
– Inventories	**(120,725)**	(126,104)
– Trade receivables	**32,716**	(78,341)
– Other receivables, deposits and prepayments	**2,577**	(6,604)
– Trade payables	**(148,202)**	305,788
– Other payables, accruals and retirement benefit obligations	**(26,595)**	49,668
Cash generated from operations	**435,071**	820,280

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2019 HK$'000	2018 HK$'000
Net book amount (Note 13)	**1**	358
Gains on disposal of property, plant and equipment	**447**	1,255
Proceeds from disposal of property, plant and equipment	**448**	1,613

27 Commitments

(a) Capital commitments in respect of acquisition of property, plant and equipment

	2019 HK$'000	2018 HK$'000
Contracted but not provided for	**39,844**	21,405

The capital commitments authorised but not contracted amounted to HK$129,931,000 (2018: HK$158,012,000). 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 2019, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2019 HK$'000	2018 HK$'000
Land and buildings		
Within one year	**753,734**	757,716
In the second to fifth year inclusive	**699,767**	837,409
After the fifth year	**152**	9,015
	1,453,653	1,604,140

(c) Non-cancellable operating leases rental receivables

As at 31 March 2019, the Group had total future aggregate minimum lease payments receivable under non-cancellable operating leases as follows:

	2019 HK$'000	2018 HK$'000
Land and buildings		
Within one year	**25,380**	25,380
In the second to fifth year inclusive	**23,000**	47,000
	48,380	72,380

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

	2019 **HK$'000**	2018 HK$'000
Rental expenses paid to an entity wholly owned by executive directors	**2,202**	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:

	2019 **HK$'000**	2018 HK$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**45,655**	44,230
Retirement benefit costs	**1,584**	1,939
Share-based payment	**1,595**	1,069
	48,834	47,238

(c) Interest of directors

There are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities (2018: 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 (2018: Nil).

29 Principal subsidiaries

Particulars of the principal subsidiaries at 31 March 2019:

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%
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%
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%

29 Principal subsidiaries (continued)

Particulars of the principal subsidiaries at 31 March 2019: (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
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 Holdings 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 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%

29 Principal subsidiaries (continued)

Particulars of the principal subsidiaries at 31 March 2019: (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 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%
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 GBP100	100%
Whitfield Enterprises Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US$2	100%
明貴貿易（上海）有限公司 (Note 1)	PRC, limited liability company	Wholesale of cosmetic products	HK$10,000,000	100%
莎莎化妝品（中國）有限公司 (Note 2)	PRC, limited liability company	Trading and retailing of cosmetic products	HK$205,000,000	100%
鄭州莎莎電子商務有限公司 (Note 3)	PRC, limited liability company	Import and export of goods	RMB500,000	100%

Notes:

1) 明貴貿易（上海）有限公司is a wholly-owned foreign enterprise in the PRC.

2) 莎莎化妝品（中國）有限公司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.

30 Statement of financial position and reserve movement of the Company

Statement of financial position of the Company

	2019 HK$'000	2018 HK$'000
ASSETS		
Non-current assets		
Investments in and amounts due from subsidiaries	**1,767,636**	1,453,817
Other assets	**750**	750
	1,768,386	1,454,567
Current assets		
Other receivables, deposits and prepayments	**1,905**	2,570
Time deposits	**362,588**	682,978
Cash and cash equivalents	**72,778**	9,161
	437,271	694,709
LIABILITIES		
Current liabilities		
Other payables and accruals	**1,684**	1,740
Net current assets	**435,587**	692,969
Total assets less current liabilities	**2,203,973**	2,147,536
EQUITY		
Capital and reserves		
Share capital	**309,560**	303,885
Reserves	**1,894,413**	1,843,651
Total equity	**2,203,973**	2,147,536

On behalf of the Board

KWOK Siu Ming Simon
Chairman and CEO

KWOK LAW Kwai Chun Eleanor
Vice-chairman

30 Statement of financial position and reserve moment 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

30 Statement of financial position and reserve movement of the Company (continued)

Reserve movement of the Company (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	Retained earnings HK$'000	Total HK$'000
At 1 April 2018	1,198,791	(1,639)	11,783	59,704	575,012	1,843,651
Profit and total comprehensive income for the year	–	–	–	–	500,082	500,082
Share award scheme:						
Shares purchased for share award scheme	–	(9,618)	–	–	–	(9,618)
Value of employee services	–	–	–	1,704	–	1,704
Vesting of shares under share award scheme	–	1,337	–	(1,141)	(196)	–
Employee share option scheme:						
Value of employee services	–	–	–	300	–	300
Proceeds from shares issued upon exercise of share options	5,586	–	–	–	–	5,586
Transfer of reserve upon exercise of options	1,737	–	–	(1,737)	–	–
Lapse of share options	–	–	–	(834)	834	–
Issue of shares upon scrip dividend of 2017/18 final and special dividends (Note 24)	184,646	–	–	–	–	184,646
Issue of shares upon scrip dividend of 2018/19 interim dividend (Note 24)	9,884	–	–	–	–	9,884
Unclaimed dividends forfeited	–	–	–	–	236	236
Dividends:						
2017/18 final and special dividends	–	–	–	–	(425,604)	(425,604)
2018/19 interim dividend	–	–	–	–	(216,454)	(216,454)
Total transactions with owners, recognised directly in equity	201,853	(8,281)	–	(1,708)	(641,184)	(449,320)
At 31 March 2019	**1,400,644**	**(9,920)**	**11,783**	**57,996**	**433,910**	**1,894,413**

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

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 54, 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
Standard Chartered Bank (Hong Kong) Limited
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

This Annual Report 2018/2019 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 54, 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.

This 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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Website : www.toppanmerrill.com

making life beautiful

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Shares of Sa Sa International Holdings Limited are traded on
The Stock Exchange of Hong Kong Limited (Stock Code: 178)