SA SA INTERNATIONAL HOLDINGS LIMITED
莎莎國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 178)

Annual Results for the year ended 31 March 2018
Dividends and Closure of Books

Highlights

- The Group's turnover increased by 6.2% from HK$7,551.1 million to HK$8,017.6 million
- Sales of retail and wholesale in Hong Kong and Macau increased by 7.9% from HK$6,266.5 million in the previous year to HK$6,761.6 million
- The Group's retail outlets for the continuing operations increased from 263 last year to 265
- Profit for the year was HK$440.1 million, an increase of 34.7% from HK$326.7 million last year
- Basic earnings per share were 14.6 HK cents as compared to 11.2 HK cents for the previous year
- The Board of Directors proposed a final dividend of 11.0 HK cents (2017: 8.0 HK cents) per share, together with a special dividend of 3.0 HK cents per share (2017: Nil) to commemorate the 40th anniversary of the Group, payable in cash with a scrip dividend alternative. Total annual dividend amounted to 17.5 HK cents (2017: 17.0 HK cents) per share

The board of directors of Sa Sa International Holdings Limited (the "**Company**") has pleasure in presenting the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2018 with comparative figures for the previous year as follows. The annual results have been reviewed by the audit committee of the Company.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2018

	Note	**2018** **HK$'000**	2017 HK$'000 Restated
Continuing operations			
Turnover	4	**8,017,613**	7,551,074
Cost of sales	6	**(4,643,747)**	(4,410,565)
Gross profit		**3,373,866**	3,140,509
Other income	5	**93,211**	105,141
Selling and distribution costs	6	**(2,608,162)**	(2,525,908)
Administrative expenses	6	**(315,474)**	(307,067)
Other gains / (losses) - net		**5,392**	(1,453)
Operating profit		**548,833**	411,222
Finance income		**11,778**	9,980
Profit before income tax		**560,611**	421,202
Income tax expense	7	**(95,368)**	(78,693)
Profit for the year from continuing operations		**465,243**	342,509
Loss for the year from discontinued operation	8	**(25,123)**	(15,804)
Profit for the year attributable to owners of the Company		**440,120**	326,705
Earnings per share from continuing operations attributable to owners of the Company for the year (expressed in HK cents per share)	9		
Basic		**15.4**	11.7
Diluted		**15.4**	11.7
Earnings per share for profit attributable to owners of the Company for the year (expressed in HK cents per share)	9		
Basic		**14.6**	11.2
Diluted		**14.6**	11.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Note	**2018** **HK$'000**	2017 HK$'000
Profit for the year		**440,120**	326,705
Other comprehensive income/ (loss)			
Item that will not be reclassified subsequently to profit or loss			
Actuarial gains on retirement benefit obligations		**3,707**	2,593
Items that may be reclassified to profit or loss			
Cash flow hedges, net of tax		**258**	87
Currency translation differences of foreign subsidiaries recorded in translation reserve		**41,139**	(21,576)
Other comprehensive income/ (loss) for the year, net of tax		**45,104**	(18,896)
Total comprehensive income for the year attributable to owners of the Company		**485,224**	307,809
Total comprehensive income for the year attributable to owners of the Company arises from:			
Continuing operations		**508,142**	320,050
Discontinued operation	8	**(22,918)**	(12,241)
		485,224	307,809

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Note	**2018**	2017
ASSETS		**HK$'000**	HK$'000
Non-current assets			
Property, plant and equipment		**340,166**	284,242
Rental deposits, prepayments and other assets		**151,256**	150,680
Deferred tax assets		**5,276**	13,620
		496,698	448,542
Current assets			
Inventories		**1,337,263**	1,221,794
Trade receivables	11	**145,417**	67,076
Other receivables, deposits and prepayments		**232,310**	222,940
Time deposits		**915,802**	513,024
Cash and cash equivalents		**449,558**	455,701
		3,080,350	2,480,535
LIABILITIES			
Current liabilities			
Trade payables	12	**619,702**	313,913
Other payables and accruals		**357,109**	291,792
Income tax payable		**60,670**	44,871
		1,037,481	650,576
Net current assets		**2,042,869**	1,829,959
Total assets less current liabilities		**2,539,567**	2,278,501
Non-current liabilities			
Retirement benefit obligations		**3,494**	6,588
Deferred tax liabilities		**268**	327
Other payables		**52,965**	52,420
		56,727	59,335
Net assets		**2,482,840**	2,219,166
EQUITY			
Capital and reserves			
Share capital		**303,885**	299,444
Reserves		**2,178,955**	1,919,722
Total equity		**2,482,840**	2,219,166

Notes:

1. Basis of preparation

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.

2 Changes in accounting policies and disclosures

(i) Amendments to standards mandatory for the first time for the financial year beginning 1 April 2017 and were early adopted in prior years

- HKAS 7 (Amendment), "Statement of cash flows – disclosure initiative"
- HKAS 12 (Amendment), "Recognition of deferred tax assets for unrealised tax losses"

(ii) Amendment to standard mandatory for the first time for the financial year beginning 1 April 2017 and was not early adopted in prior years

- HKFRS 12 (Amendment), "Disclosure of interest in other entities"

The Group has adopted the amendment and the adoption of the amendment did not have significant impacts on the Group's financial position and results as of and for the year ended 31 March 2018.

(iii) Early adoption of amendments to standards and interpretations during the year ended 31 March 2018 where early adoption is permitted

- HKAS 12 (Amendment), "Income taxes" (effective for annual periods beginning on or after 1 April 2019). The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. These requirements apply to all income tax consequences of dividends. The early adoption of HKAS 12 (Amendment) does not have any impact to the Group as there is no tax consequence to dividend distribution of the Company.

- HKAS 19 (Amendment), "Employee benefits" (effective for annual periods beginning on or after 1 April 2019). The amendment requires an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The early adoption of HKAS 19 (Amendment) does not have significant impact to the Group as the Group does not have significant amount of defined benefit plans during the year.

- HKAS 23 (Amendment), "Borrowing costs" (effective for annual periods beginning on or after 1 April 2019). The amendments clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. The early adoption of HKAS 23 (Amendment) does not have any impact to the Group as the Group does not have any borrowing.

2. Changes in accounting policies and disclosures (continued)

(iii) Early adoption of amendments to standards and interpretations during the year ended 31 March 2018 where early adoption is permitted (continued)

- HKAS 28 (Amendment), "Investments in associates and joint ventures" (effective for annual periods beginning on or after 1 April 2018). The amendment is part of the annual improvements to HKFRSs 2014-2016 cycle. HKAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss (FVTPL). This election should be made separately for each associate or joint venture at initial recognition. The early adoption of HKAS 28 (Amendment) does not have any impact to the Group as the Group is not classified as venture capital organisations, mutual funds, unit trusts or similar entities and it does not have any investments in associates or joint ventures.

- HKFRS 3 (Amendment), "Business combination" (effective for annual periods beginning on or after 1 April 2019). The amendments clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages. The acquirer should re-measure its previously held interest in the joint operation at fair value at of the acquisition date. The early adoption of HKFRS 3 (Amendment) does not have any impact to the Group as the Group does not obtain any control of a business that is a joint operation.

- HKFRS 11 (Amendment), "Joint arrangements" (effective for annual periods beginning on or after 1 April 2019). The amendments clarified that the party obtaining joint control of a business that is a joint operation should not re-measure its previously held interest in the joint operation. The early adoption of HKFRS 11 (Amendment) does not have any impact to the Group as the Group does not hold any interest in a joint operation.

- HK (IFRIC) 22, "Foreign currency transactions and advance consideration" (effective for annual periods beginning on or after 1 April 2018). This interpretation clarified the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency. The early adoption of HK (IFRIC) 22 does not have significant impact to the Group as the Group does not have significant amount of advance consideration receive or pay during the year.

- HK (IFRIC) 23, "Uncertainty over income tax treatments" (effective for annual periods beginning on or after 1 April 2019). This interpretation clarified how the recognition and measurement requirements of HKAS 12 "Income taxes", are applied where there is uncertainty over income tax treatments. The early adoption of HK (IFRIC) 23 does not have any impact to the Group as the Group does not have significant uncertainty over income tax treatments.

(iv) The following new and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2017 and have not been early adopted

- HKFRS 1 (Amendment), "First time adoption of HKFRS" (effective for annual periods beginning on or after 1 April 2018)

- HKFRS 9, "Financial instruments" (effective for annual periods beginning on or after 1 April 2018)

- HKFRS 9 (Amendment), "Prepayment features with negative compensation" (effective for annual periods beginning on or after 1 April 2019)

- HKFRS 15, "Revenue from contracts with customers" (effective for annual periods beginning on or after 1 April 2018)

2. Changes in accounting policies and disclosures (continued)

(iv) The following new and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2017 and have not been early adopted (continued)

- HKFRS 15 (Amendment), "Clarification to HKFRS 15" (effective for annual periods beginning on or after 1 April 2018)
- HKFRS 16, "Leases" (effective for annual periods beginning on or after 1 April 2019)

HKFRS 9, "Financial instruments"

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 April 2018.

The debt instruments currently classified as loans and receivables meet the conditions for classification at amortised cost under HKFRS 9. Hence there will be no change to the accounting for these assets. Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect significant increase or decrease in the loss allowance for trade receivables.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

This standard is mandatory for financial years starting on or after 1 April 2018. The Group will apply the new rules retrospectively from 1 April 2018, with the practical expedients permitted under the standard. Comparatives for 2018 will not be restated.

HKFRS 15, "Revenue from contracts with customers"

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

2. **Changes in accounting policies and disclosures (continued)**

(iv) The following new and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2017 and have not been early adopted (continued)

HKFRS 15, "Revenue from contracts with customers" (continued)

Impact

The management of the Group has assessed the effects of applying the new standard on the Group's consolidated financial statements and does not expect a significant impact on the recognition of revenue.

Date of adoption by the Group

This standard is mandatory for financial years starting on or after 1 April 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact on the adoption will be recognised in retained earnings as of 1 April 2018 and that comparatives will not be restated.

HKFRS 16, "Leases"

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$1,604,140,000. The Group estimates those related to payments for short-term or low value leases which will be recognised on a straight-line basis as an expense in profit or loss are insignificant.

The Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments, extension and termination options and of sub-lease accounting. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Date of adoption by the Group

This standard is mandatory for financial years starting on or after 1 April 2019. The Group will adopt this new standard when it is appropriate to do so.

Apart from aforementioned new standards, the directors of the Company are in the process of assessing the financial impact of the adoption of the above amendments to standards. The directors of the Company will adopt the amendments to standards when it is appropriate to do so.

3. Estimates

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 may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive directors of the Group who make strategic and operating decisions.

Executive directors of the Group review the internal reporting of the Group in order to assess performance and allocate resources. Executive directors consider the business principally from a geographic perspective and assess the performance of the geographic segments based on a measure of segments results.

During the year ended 31 March 2018, the Group discontinued the business of retailing of cosmetic products in Taiwan which was previously included in “All other segments”; the comparatives have been restated. Business reportable segments identified are Hong Kong & Macau, Mainland China, E-commerce and All other segments. All other segments refer to markets in Singapore and Malaysia.

Segment assets consist primarily of property, plant and equipment, deferred tax assets, inventories, receivables, deposits and prepayments, time deposits and cash and cash equivalents. Capital expenditure comprises additions to property, plant and equipment.

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

	For the year ended 31 March 2018				
	Hong Kong & Macau HK$’000	**Mainland China HK$’000**	**E-commerce HK$’000**	**All other segments HK$’000**	**Total HK$’000**
Turnover	**6,761,559**	**298,724**	**383,345**	**573,985**	**8,017,613**
Segment results	**499,042**	**(10,215)**	**(28,267)**	**4,683**	**465,243**
Other information					
Capital expenditure	**134,733**	**10,756**	**2,002**	**18,640**	**166,131**
Finance income	**9,945**	**331**	**55**	**1,447**	**11,778**
Income tax expense/ (credit)	**96,698**	**-**	**(9,033)**	**7,703**	**95,368**
Depreciation	**65,378**	**8,549**	**2,446**	**21,352**	**97,725**
Provision for slow moving inventories and shrinkage	**25,595**	**577**	**6,244**	**2,226**	**34,642**
Impairment of property, plant and equipment	**1,067**	**818**	**-**	**1,405**	**3,290**

4. Segment information (continued)

	For the year ended 31 March 2017				
	Hong Kong & Macau HK$'000	Mainland China HK$'000	E-commerce HK$'000	All other segments HK$'000 (Restated)	Total HK$'000 (Restated)
Turnover	6,266,540	276,497	475,189	532,848	7,551,074
Segment results	432,646	(15,082)	(67,144)	(7,911)	342,509
Other information					
Capital expenditure	53,333	6,054	1,817	15,801	77,005
Finance income	8,298	307	15	1,360	9,980
Income tax expense/ (credit)	82,987	-	(12,640)	8,346	78,693
Depreciation	61,872	10,301	2,132	22,776	97,081
Provision /(reversal of provision) for slow moving inventories and shrinkage	18,158	(8,422)	8,215	13,927	31,878
Impairment of property, plant and equipment	3,137	1,997	-	2,334	7,468

	Hong Kong & Macau HK$'000	**Mainland China HK$'000**	**E-commerce HK$'000**	**All other segments HK$'000 (Restated)**	**Total HK$'000 (Restated)**
At 31 March 2018					
Non-current assets	**424,177**	**18,257**	**2,763**	**51,501**	**496,698**
Current assets	**2,472,131**	**140,176**	**132,316**	**261,375**	**3,005,998**
Total segment assets					**3,502,696**
Discontinued operation					**74,352**
Total assets as per consolidated statement of financial position					**3,577,048**
At 31 March 2017					
Non-current assets	353,243	15,487	3,207	59,779	431,716
Current assets	1,884,871	152,270	151,726	210,891	2,399,758
Total segment assets					2,831,474
Discontinued operation					97,603
Total assets as per consolidated statement of financial position					2,929,077

5. Other income

	2018 HK$'000	2017 HK$'000 Restated
Slide display rental income	**60,894**	58,134
Sub-lease income	**32,317**	47,007
	93,211	105,141

6. Expenses by nature

	2018 HK$'000	2017 HK$'000 Restated
Cost of inventories sold	**4,609,105**	4,378,687
Employee benefit expenses (including directors' emoluments)	**1,132,105**	1,022,549
Operating lease rentals in respect of land and buildings		
- minimum lease payments	**890,363**	891,870
- contingent rent	**62,583**	60,483
Advertising and promotion expenses	**115,118**	124,190
Building management fees, government rent and rates	**110,299**	99,029
Depreciation of property, plant and equipment	**97,725**	97,081
Transportation, storage and delivery charges	**68,077**	102,841
Utilities and telecommunication	**54,079**	56,148
Repair and maintenance	**39,416**	40,862
Provision for slow moving inventories and shrinkage	**34,642**	31,878
Sub-lease expenses	**30,507**	45,113
Auditors' remuneration		
- audit services	**3,522**	3,404
- non-audit services	**2,217**	1,410
Donations	**4,696**	3,365
Impairment of property, plant and equipment	**3,290**	7,468
Write-off of property, plant and equipment	**3,180**	1,836
Others	**306,459**	275,326
	7,567,383	7,243,540
Representing:		
Cost of sales	**4,643,747**	4,410,565
Selling and distribution costs	**2,608,162**	2,525,908
Administrative expenses	**315,474**	307,067
	7,567,383	7,243,540

7. Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates respectively.

	2018	2017
	HK$'000	HK$'000
Current tax:		
Hong Kong profits tax		
Current	**55,625**	49,376
Over-provision in previous years	**(549)**	(588)
Overseas taxation		
Current	**32,710**	28,378
Over-provision in previous years	**(21)**	(76)
Total current tax	**87,765**	77,090
Deferred tax:		
Origination and reversal of temporary differences	**8,964**	1,603
Income tax expense	**96,729**	78,693
Income tax expense is attributable to:		
Profit from continuing operations	**95,368**	78,693
Loss from discontinued operation	**1,361**	-
	96,729	78,693

8. Discontinued operation

During the year ended 31 March 2018, the Group discontinued the business of retailing of cosmetic products in Taiwan. The results of the discontinued operation for the year ended 31 March 2018 and 2017 are presented below:

	2018	2017
	HK$'000	HK$'000
Turnover	**213,161**	195,078
Other income and gains, net	**2,413**	2,954
Cost of sales and expenses	**(239,336)**	(213,836)
Loss before income tax	**(23,762)**	(15,804)
Income tax expense	**(1,361)**	-
Loss from discontinued operation	**(25,123)**	(15,804)
Actuarial gains/(losses) on retirement benefit obligation	**55**	(67)
Currency translation differences of foreign subsidiaries recorded in translation reserve	**2,150**	3,630
Total comprehensive loss from discontinued operation	**(22,918)**	(12,241)

8. Discontinued operation (continued)

Loss for the year of discontinued operation has been arrived at after charging:

	2018 HK$'000	2017 HK$'000
Write-off of property, plant and equipment	**4,277**	143
Depreciation of property, plant and equipment	**3,542**	5,896
Impairment of property, plant and equipment	**2,379**	2,955
Provision for slow moving inventories and shrinkage	**2,016**	197

9. Earnings per share

From continuing operations

(a) Basic earnings per share from continuing operations is calculated by dividing the profit from continuing operations attributable to owners of the Company by the weighted average number of ordinary shares in issue less the total number of shares held under the Share Award Scheme during the year.

	2018 HK$'000	2017 HK$'000
Profit from continuing operations attributable to owners of the Company	**465,243**	342,509
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the year (thousands)	**3,009,172**	2,927,021

(b) Diluted earnings per share from continuing operations is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options and shares held under the Share Award Scheme during the year. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. For shares held under the Share Award Scheme, awarded shares granted to the employees but not yet vested as at 31 March 2018 has been included in the number of shares.

	2018 HK$'000	2017 HK$'000
Profit from continuing operations attributable to owners of the Company	**465,243**	342,509
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the year (thousands)	**3,009,172**	2,927,021
Adjustment for share options and awarded shares (thousands)	**702**	2,049
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**3,009,874**	2,929,070

9. Earnings per share (continued)

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2018	2017
	HK$'000	HK$'000
Profit from continuing operations attributable to owners of the Company	**465,243**	342,509
Loss from discontinued operation attributable to owners of the Company	**(25,123)**	(15,804)
Profit for the purpose of basic and diluted earnings per share from continuing and discontinued operations	**440,120**	326,705

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing operations.

From discontinued operation

The basic and diluted loss per share for the discontinued operation is 0.8 HK cents per share (2017: Basic and diluted loss of 0.5 HK cents per share).

The calculations of basic and diluted loss per share from the discontinued operation are based on:

	2018	2017
	HK$'000	HK$'000
Loss attributable to owners of the Company from the discontinued operation	**(25,123)**	(15,804)
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the year (thousands)	**3,009,172**	2,927,021

During the year ended 31 March 2018 and 2017, diluted loss per share equals to basic loss per share as the potential ordinary shares were not included in the calculation of diluted loss per share because they are anti-dilutive.

10. Dividends

	2018	2017
	HK$'000	HK$'000
Interim, paid – 3.5 HK cents (2017: 5.0 HK cents) per share	**105,789**	148,043
Special, paid – Nil (2017: 4.0 HK cents) per share	**-**	118,434
Final, proposed – 11.0 HK cents (2017: 8.0 HK cents) per share	**334,368**	239,555
Special, proposed – 3.0 HK cents (2017: Nil) per share	**91,192**	-
	531,349	506,032

For final and special dividends, scrip dividend election was offered to all shareholders. At a meeting held on 21 June 2018, the directors proposed a final dividend of 11.0 HK cents and a special dividend of 3.0 HK cents per share. The final and special dividends will be payable in cash with a scrip dividend alternative. These proposed dividends have not been reflected as dividend payables in these consolidated financial statements, but will be reflected as an appropriation of distributable reserve for the year ending 31 March 2019 if approved by the shareholders.

11. Trade receivables

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 gross trade receivables is as follows:

	2018	2017
	HK$'000	HK$'000
Within 1 month	**106,084**	48,674
1 to 3 months	**17,694**	9,609
Over 3 months	**22,411**	9,840
	146,189	68,123

The carrying amounts of trade receivables approximate their fair values.

12. Trade payables

The ageing analysis based on invoice date of trade payables is as follows:

	2018	2017
	HK$'000	HK$'000
Within 1 month	**475,588**	201,714
1 to 3 months	**127,437**	96,992
Over 3 months	**16,677**	15,207
	619,702	313,913

The carrying amounts of trade payables approximate their fair values.

MANAGEMENT DISCUSSION & ANALYSIS

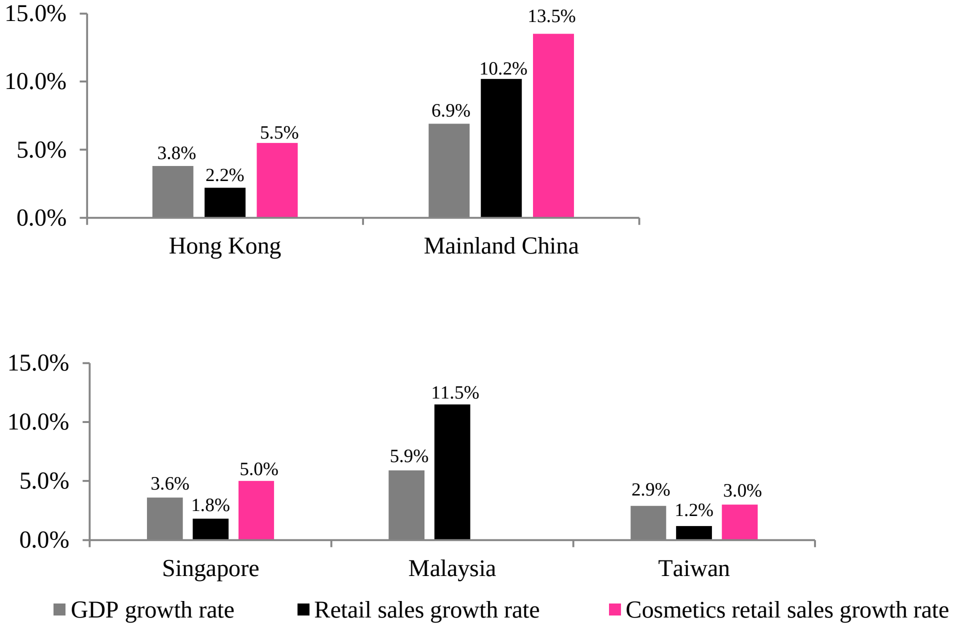
During the financial year, the Group's turnover increased by 6.2% from HK$7,551.1 million to HK$8,017.6 million for the continuing operations. Sales of retail and wholesale in Hong Kong and Macau increased by 7.9% from HK$6,266.5 million in the previous year to HK$6,761.6 million. The Group's retail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

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

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

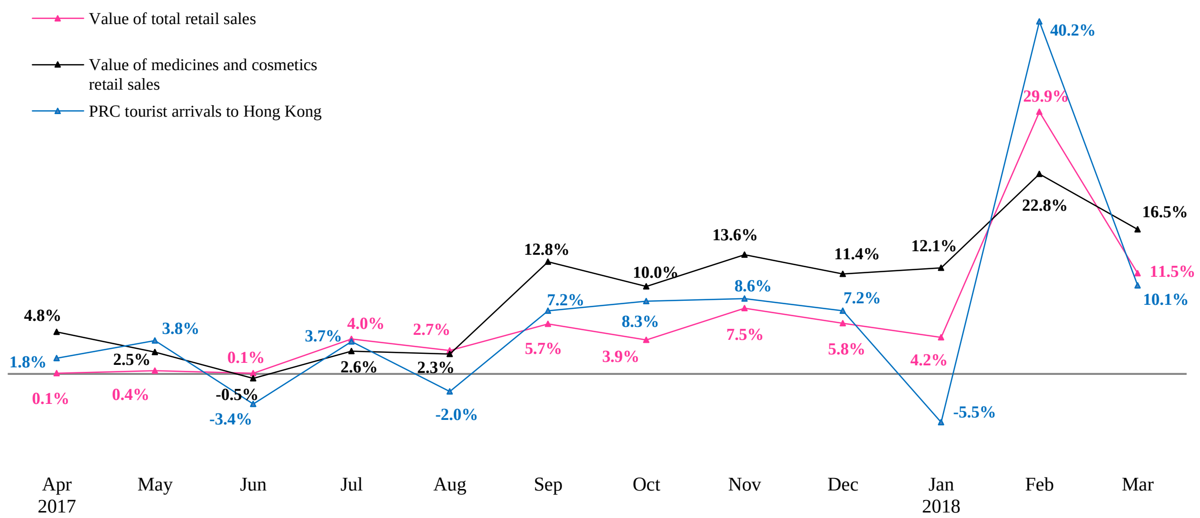
Market Overview

GDP / Retail Sales / Cosmetics Retail Sales Growth in 2017



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

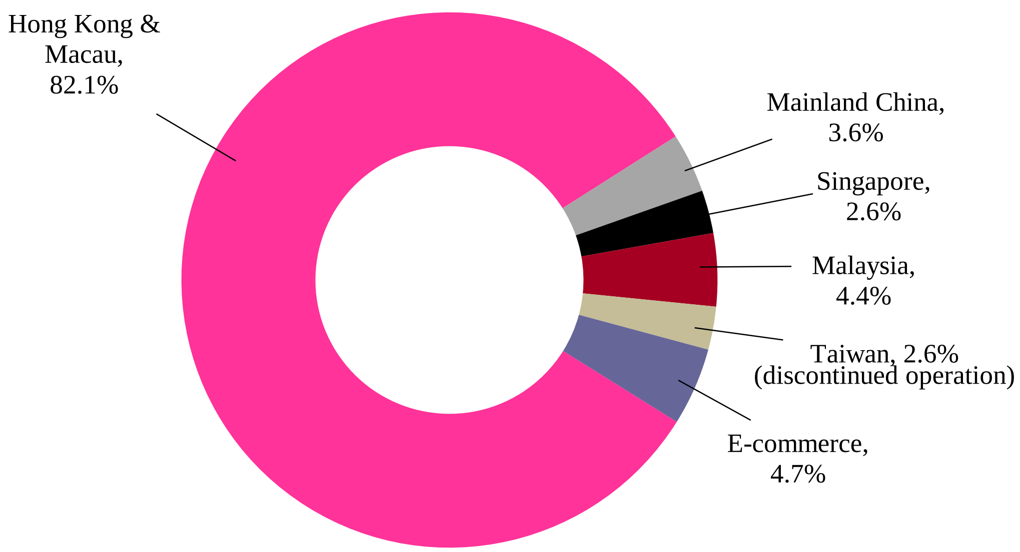
Year-on-Year Change of Retail Sales Performance in Hong Kong and PRC Tourist Arrivals in Hong Kong



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

Retail & Wholesale Business

FY17/18 Turnover Mix By Market



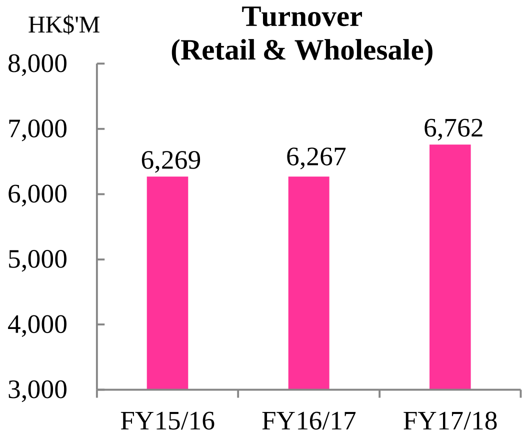
Store Network By Market

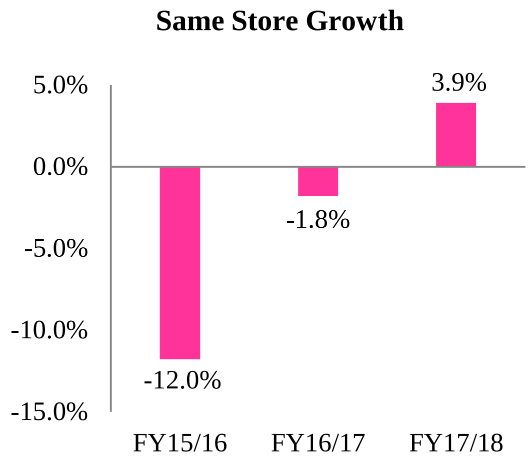
Market (Continuing operations)	As of 31 Mar 2017	Opened	Closed	As of 31 Mar 2018
Hong Kong & Macau	116	13	11	**118**
Mainland China	56	10	11	**55**
Singapore	20	1	1	**20**
Malaysia	71	6	5	**72**
Total	263	30	28	**265**

Note:

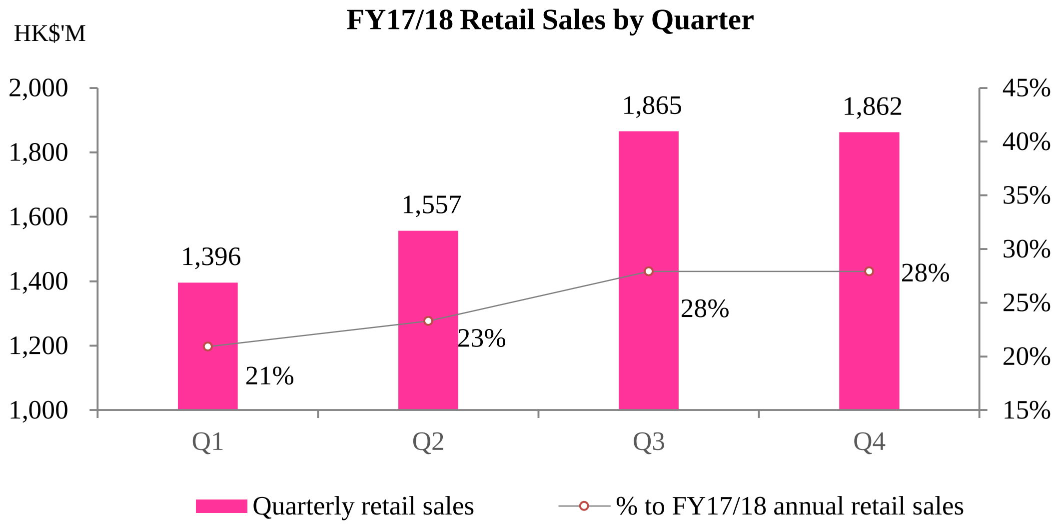
- *As at 31 March 2018, the Group operated a total of 265 retail outlets for its continuing operations, including one single-brand store/counter in Hong Kong & Macau (LY: one single-brand store/counter in Hong Kong & Macau and one in Malaysia) and 264 "Sasa" multi-brand stores (LY: 261 "Sasa" multi-brand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

Hong Kong & Macau





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

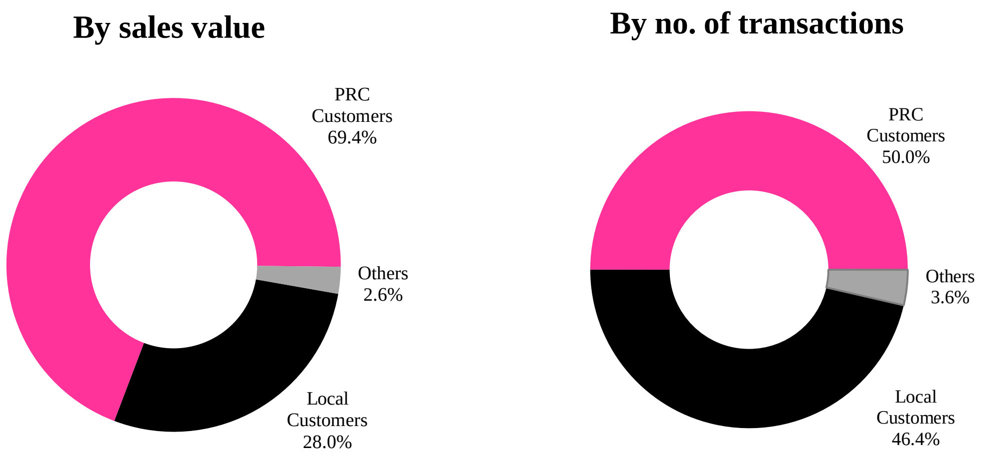


Note: The above data excludes the impact of deferred income adjustment on customer loyalty programme

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

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

Customer Mix (for FY17/18 retail sales in Hong Kong & Macau)



Number of Transactions and Spending Per Transaction

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

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

Product Portfolio and Gross Profit

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

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

Operations and Cost Controls

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

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

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

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

Information Technology

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

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

Mainland China

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

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

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

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

E-commerce

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

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

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

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

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

Singapore

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

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

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

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

Malaysia

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

The more traditional brick and motor retail industry in Malaysia has been affected by the rapid development of digital media and e-commerce. In addition, many new shopping malls have opened, diluting the traffic to the Group's existing stores, especially in the capital Kuala Lumpur, and indirectly affecting stores' turnover. The

Group's turnover growth declined from 9.2% in the first half to 3.4% in the second half. The Group's same store sales performance was weak and recorded an overall 1.2% decline for the year.

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

Taiwan

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

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

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

Brand Management

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

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

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

Outlook and Strategies

Hong Kong and Macau

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

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

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

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

Development projects and policies

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

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

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

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

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

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

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

Digital innovation and automation

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

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

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

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

Mainland China

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

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

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

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

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

E-commerce

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

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

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

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

New Retail Concept Strategies

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

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

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

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

Singapore

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

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

Malaysia

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

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

Taiwan

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

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

Brand Management

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

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

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

Human Resources

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

Financial Review

Capital Resources and Liquidity

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

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

Financial Position

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

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

Treasury Policies

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

Charge on Group Assets

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

Contingent Liabilities

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

Capital Commitments

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

Conclusion

As Sa Sa's long track record shows, the Group is adept at converting challenges into opportunities and thriving in all economic circumstances. Moving forward into the new digital era, the Group will continue to adapt the overall vision and strategies to the changing patterns in consumer behaviour, preferences and expectations. The Group's core markets of Hong Kong and Macau are improving. Riding on the buoyant development of the Greater Bay Area, the Group is also making progress in Mainland China while strengthening e-commerce competitiveness. It is a hallmark of Sa Sa to make difficult decisions at an appropriate time. In February, the

Group decided to close all retail shops in Taiwan in order to refocus energies on other dynamic core markets. This refocusing will enable the Group to catch the wave of the future in new products, new fulfilment channels, and in online and offline big data analytics. Detailed strategy and forward thinking will continue to support the Group's position as a leading provider of beauty products in the Asia-Pacific region. The resourcefulness and flexibility of the Group's loyal staff and the long-term vision of dedicated management team will ensure that Sa Sa continues to deliver sustained growth for many years to come.

FINAL DIVIDEND AND SPECIAL DIVIDEND

The board of directors recommends a final dividend of 11.0 HK cents (2017: 8.0 HK cents) per share and a special dividend of 3.0 HK cents per share (2017: Nil) for the year ended 31 March 2018. Such dividends will be proposed for approval at the annual general meeting ("AGM") of the Company on Monday, 3 September 2018, and, if approved, are payable to shareholders whose names appear on the register of members of the Company on Monday, 10 September 2018.

Subject to approval by the Company's shareholders at the AGM, the final and special dividends will be payable in cash, with a scrip dividend alternative which will give shareholders an opportunity to increase their investment in the Company without incurring brokerage fees, stamp duty and related dealing costs. The scrip dividend alternative will also benefit the Company to the extent that such cash as would otherwise have been paid to shareholders who elect to receive the dividends in scrip, in whole or in part in lieu of a cash dividend, will be retained for use by the Company as working capital or to fund new investments. To facilitate shareholders' reinvestment of their dividends into the Company's shares, the board of directors has resolved to offer a five (5) per cent discount on the market price (being the average value of the closing prices of one share on the Stock Exchange of Hong Kong Limited for the five consecutive trading days up to and including the record date) for eligible shareholders who elect to receive the dividends in scrip. The new shares to be issued pursuant to the scrip dividend alternative are subject to The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the new shares to be issued. Further details will be set out in a circular which will be despatched to shareholders together with an election form in the middle of September 2018. The final and special dividends are expected to be paid on or around Wednesday, 24 October 2018.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 March 2018. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2018 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers Hong Kong on this preliminary announcement.

BUY-BACK, SALE OR REDEMPTION OF SHARES

During the year ended 31 March 2018, there was no buy-back, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE

The Company believes that its business can only be sustainable and beautiful to its stakeholders in the broadest sense when guided by a strong corporate governance culture. The Company is committed to maintaining high standards of corporate governance and strives to integrate the principles of good corporate governance practices into our operations, making corporate governance part of our culture.

Compliance with the Corporate Governance Code ("CG Code")

Throughout the year ended 31 March 2018 and up to the date of this announcement, the Company has complied with all the code provisions in the CG Code except code provision A.2.1 recommending the separation of the roles of chairman and chief executive. 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 of directors 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 maximizes the effectiveness of our operations. We will, nevertheless, periodically review the structure of the board of directors going forward in light of the evolving needs of the Group and consider segregation of the two roles if and when appropriate.

Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code")

The Company has adopted a code regarding securities transactions by directors of the Company on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all directors, all of them have confirmed that they have complied with the provisions set out in the code throughout the reporting period.

The annual report of the Company for the year ended 31 March 2018 containing more information on its corporate governance practices will be despatched to the shareholders on or around Monday, 23 July 2018, and be published on the respective websites of Hong Kong Exchanges and Clearing Limited and the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' eligibility to attend and vote at the AGM, and entitlement to the final and special dividends (if payable), the Register of Members of the Company will be closed in accordance with the following timetable:

(i) For determining shareholders' eligibility to attend and vote at the AGM:

● Latest time to lodge transfer documents for registration	4:30 p.m. on Thursday, 30 August 2018
● Closure of Register of Members	Friday, 31 August 2018 to Monday, 3 September 2018 (both dates inclusive)
● Record date	Monday, 3 September 2018

(ii) For determining entitlement to the final and special dividends (if payable):

● Latest time to lodge transfer documents for registration	4:30 p.m. on Thursday, 6 September 2018
● Closure of Register of Members	Friday, 7 September 2018 to Monday, 10 September 2018 (both dates inclusive)
● Record date	Monday, 10 September 2018

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the AGM, or to qualify for the final and special dividends, all valid documents for the transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than the time set out above.

On behalf of the board of directors, I would like to extend my thanks and appreciation to all our staff for their hard work and commitment and to all of our customers, suppliers and shareholders for their continued support.

By order of the board of directors
Sa Sa International Holdings Limited
KWOK Siu Ming Simon
Chairman and Chief Executive Officer

Hong Kong, 21 June 2018

As at the date of this announcement, the directors of the Company are:-

Executive Directors
Dr KWOK Siu Ming Simon*, SBS, JP* (Chairman and Chief Executive Officer)
Dr KWOK LAW Kwai Chun Eleanor*, BBS, JP* (Vice-chairman)
Dr LOOK Guy (Chief Financial Officer)

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