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)

Interim Results for the six months ended 30 September 2018
Dividends and Closure of Books

Highlights

- The Group's turnover for the continuing operations increased by 16.3% from HK$3,567.0 million in the same period last year to HK$4,147.2 million
- Retail sales in Hong Kong and Macau increased by 18.5% from HK$2,945.7 million to HK$3,489.9 million
- The Group's retail outlets for the continuing operations increased to 273 from 262 for the same period last year
- Taking into account the discontinued retail business in Taiwan, the Group's profit for the period was HK$202.9 million, representing an increase of 84.5% from HK$109.9 million for the same period last year
- Basic earnings per share amounted to 6.7 HK cents as compared to 3.7 HK cents for the same period last year
- The Board resolved to declare an interim dividend of 7.0 HK cents (2017: 3.5 HK cents) per share, payable in cash with a scrip dividend alternative

The board of directors of Sa Sa International Holdings Limited (the "**Company**") has pleasure in presenting the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the "**Group**") for the six months ended 30 September 2018. The unaudited condensed consolidated interim financial information has been reviewed by the audit committee of the Company and the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The report on review of interim financial information will be included in the interim report for distribution to shareholders.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Unaudited Six months ended 30 September **2018** **HK$'000**	 2017 HK$'000 Restated
Continuing operations			
Turnover	4	**4,147,220**	3,566,983
Cost of sales	6	**(2,478,982)**	(2,052,572)
Gross profit		**1,668,238**	1,514,411
Other income	5	**48,022**	48,072
Selling and distribution costs	6	**(1,320,637)**	(1,268,081)
Administrative expenses	6	**(163,741)**	(150,165)
Other gains - net		**2,916**	1,753
Operating profit		**234,798**	145,990
Finance income		**10,638**	4,978
Profit before income tax		**245,436**	150,968
Income tax expense	7	**(41,269)**	(27,988)
Profit for the period from continuing operations		**204,167**	122,980
Loss for the period from discontinued operation	8	**(1,306)**	(13,043)
Profit for the period attributable to owners of the Company		**202,861**	109,937
Earnings per share from continuing operations attributable to owners of the Company for the period (expressed in HK cents per share)	9		
Basic		**6.7**	4.1
Diluted		**6.7**	4.1
Earnings per share for profit attributable to owners of the Company for the period (expressed in HK cents per share)	9		
Basic		**6.7**	3.7
Diluted		**6.7**	3.7

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30 September 2018 HK$'000	2017 HK$'000 Restated
Profit for the period		**202,861**	109,937
Other comprehensive (loss) / income			
Item that will not be reclassified to profit or loss			
Actuarial gains on retirement benefit obligations		**12**	-
Items that may be reclassified to profit or loss			
Cash flow hedges, net of tax		**(714)**	(354)
Currency translation differences of foreign subsidiaries recorded in translation reserve		**(27,406)**	14,327
Other comprehensive (loss) / income for the period, net of tax		**(28,108)**	13,973
Total comprehensive income for the period attributable to owners of the Company		**174,753**	123,910
Total comprehensive income for the period attributable to owners of the Company arises from:			
Continuing operations		**177,715**	136,438
Discontinued operation	8	**(2,962)**	(12,528)
		174,753	123,910

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited 30 September 2018 HK$'000**	Audited 31 March 2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**350,375**	340,166
Rental deposits, prepayments and other assets		**174,156**	151,256
Deferred tax assets		**5,165**	5,276
		529,696	496,698
Current assets			
Inventories		**1,713,705**	1,337,263
Trade receivables	11	**97,163**	145,417
Other receivables, deposits and prepayments		**209,091**	232,310
Time deposits		**819,539**	915,802
Cash and cash equivalents		**339,696**	449,558
		3,179,194	3,080,350
LIABILITIES			
Current liabilities			
Trade payables	12	**561,047**	619,702
Other payables and accruals		**365,395**	357,109
Income tax payable		**75,084**	60,670
		1,001,526	1,037,481
Net current assets		**2,177,668**	2,042,869
Total assets less current liabilities		**2,707,364**	2,539,567
Non-current liabilities			
Retirement benefit obligations		**2,556**	3,494
Deferred tax liabilities		**-**	268
Other payables		**49,963**	52,965
		52,519	56,727
Net assets		**2,654,845**	2,482,840
EQUITY			
Capital and reserves			
Share capital		**304,003**	303,885
Reserves		**2,350,842**	2,178,955
Total equity		**2,654,845**	2,482,840

Notes:

1. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 September 2018 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting". The interim report does not include all the notes of the type normally included in annual financial report. Accordingly, this interim report should be read in conjunction with the annual financial statements for the year ended 31 March 2018 ("2018 Annual Financial Statements"), which has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2018, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

a) 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"

b) New standards and amendments to standard mandatory for the first time for the financial year beginning 1 April 2018 and was 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 standards did not have any material impact on the Group's accounting policies and did not require retrospective adjustments.

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.

2. Accounting policies (continued)

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

***HKFRS 9, "Financial Instruments"* (continued)**

The adoption of HKFRS 9 "Financial Instruments" from 1 April 2018 resulted in changes in accounting policies which set out in "Summary of significant accounting policies" below. 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 expected credit loss model of this new HKFRS.

The Group applies the simplified approach permitted by HKFRS 9 for trade receivables, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Impairment on cash and cash equivalents, time deposits, and other receivables and deposits is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

The Group estimated ECL model based on historical settlement records, past experience and available forward looking information. The Group has concluded that the change in impairment methodologies has no significant impact of the Group's condensed consolidated interim financial information and the opening allowance is not restated in this respect.

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 Group's accounting policy.

2. Accounting policies (continued)

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

***HKFRS 9, "Financial Instruments"* (continued)**

(ii) Summary of significant accounting policies

The following describes the Group's updated financial instruments policy to reflect the adoption of HKFRS 9:

Classification
From 1 April 2018, the Group classifies its financial assets as those to be measured at amortised cost.

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

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, transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement of debt instruments depends on the Group's business model for management the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows were 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".

Impairment of financial assets
From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments classified 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 expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

HKFRS 15, "Revenue from Contracts with Customers"

(i) Impact of adoption

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.

2. Accounting policies (continued)

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

***HKFRS 15, "Revenue from Contracts with Customers"* (continued)**

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 "Summary of significant accounting policies" below. The impacts of the adoption of HKFRS 15 are as follows:

Presentation of contract liabilities
"Certain customers' deposits and temporary receipts" and "deferred revenue for customer loyalty programme" which were previously included in other payables and accruals, totally 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 sales of goods.

(ii) Summary of significant accounting policies

The following describes the Group's updated revenue recognition policy to reflect the adoption of HKFRS 15.

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 the customer.

2. Accounting policies (continued)

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

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.

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. All awarded points are expired on 31 March and there were no material award points outstanding as at year end. 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. The Group concluded that under 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. The Group determined that, considering the relative stand-alone selling prices, the amount allocated to the loyalty program compared with that before adoption of HKFRS 15 was not significant and thus, no adjustment was made to the opening balance of retained profits as at 1 April 2018.

2. Accounting policies (continued)

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

- HKFRS 16, "Leases" (effective for annual periods beginning on or after 1 April 2019)
- HKFRS 9 (Amendment), "Prepayment Features with Negative Compensation" (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 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$1,731,830,000. The Group has completed an initial assessment of the potential impact on its consolidated financial statements but yet completed its detailed assessment. The actual impact of applying HKFRS 16 on the consolidated financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate as at 1 April 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group choose to use practical expedients and recognition exemptions.

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.

(iii) 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 HKFRS 16, the directors of the Company are in the process of assessing the financial impact of the adoption of the above amendment to standard. The directors of the Company will adopt the amendment to standard when it is appropriate to do so.

3. Estimates

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2018, with the exception of changes in estimates that are required in determining the provision for deferred revenue on customer loyalty programme.

As at 30 September 2018, deferred revenue for customer loyalty programme amounted to HK$8,102,000. The amount of deferred revenue recognised in each period fluctuates according to various factors including changes in estimated redemption rates and fair values of the redemption gifts.

The actual experience and the level of these deductions to revenue may deviate from the estimates. The Group reviews its estimates every twelve months and may adjust them in a subsequent period by referencing to the actual values experienced in prior periods and in accordance with the applicable commercial changes in the details of the customer loyalty programme.

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 last financial period, 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 segments results from 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.

4. Segment information (continued)

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

	Six months ended 30 September 2018				
	Hong Kong & Macau HK$'000	**Mainland China HK$'000**	**E-commerce HK$'000**	**All other segments HK$'000**	**Total HK$'000**
Turnover	**3,525,537**	**138,363**	**185,274**	**298,046**	**4,147,220**
Segment results	**240,229**	**(15,914)**	**(16,989)**	**(3,159)**	**204,167**
Other information					
Capital expenditure	**50,130**	**3,027**	**261**	**17,080**	**70,498**
Finance income	**9,525**	**103**	**34**	**976**	**10,638**
Income tax expense /(credit)	**43,701**	**-**	**(5,566)**	**3,134**	**41,269**
Depreciation	**39,227**	**3,735**	**900**	**10,672**	**54,534**
Provision for slow moving inventories and shrinkage	**20,912**	**2,629**	**3,648**	**3,507**	**30,696**
Impairment of property, plant and equipment	**2,175**	**-**	**-**	**-**	**2,175**

	Six months ended 30 September 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	2,983,613	138,266	177,120	267,984	3,566,983
Segment results	149,553	(7,527)	(16,320)	(2,726)	122,980
Other information					
Capital expenditure	90,792	5,570	1,344	7,967	105,673
Finance income	4,177	180	25	596	4,978
Income tax expense /(credit)	30,269	-	(5,637)	3,356	27,988
Depreciation	30,657	4,452	1,232	10,346	46,687
Provision /(reversal of provision) for slow moving inventories and shrinkage	9,952	(1,026)	(40)	2,123	11,009
Impairment of property, plant and equipment	1,066	323	-	-	1,389

4. Segment information (continued)

	Hong Kong & Macau HK$'000	Mainland China HK$'000	E-commerce HK$'000	All other segments HK$'000	Total HK$'000
At 30 September 2018					
Non-current assets	**450,274**	**15,648**	**7,180**	**56,594**	**529,696**
Current assets	**2,623,958**	**136,768**	**161,247**	**257,221**	**3,179,194**
Total assets as per condensed consolidated interim statement of financial position					**3,708,890**
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

5. Other income

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000 Restated
Slide display rental income	**32,812**	30,971
Sub-lease income	**15,210**	17,101
	48,022	48,072

6. Expenses by nature

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
		Restated
Cost of inventories sold	**2,448,286**	2,041,563
Employee benefit expenses (including directors' emoluments)	**577,210**	537,772
Operating lease rentals in respect of land and buildings		
- minimum lease payments	**444,619**	455,392
- contingent rent	**25,811**	26,747
Advertising and promotion expenses	**57,404**	55,326
Depreciation of property, plant and equipment	**54,534**	46,687
Building management fees, government rent and rates	**54,356**	55,609
Transportation, storage and delivery charges	**33,019**	34,048
Provision for slow moving inventories and shrinkage	**30,696**	11,009
Utilities and telecommunication	**28,745**	27,807
Repair and maintenance	**24,677**	19,633
Sub-lease expenses	**14,560**	16,202
Donations	**3,244**	3,345
Impairment of property, plant and equipment	**2,175**	1,389
Auditors' remuneration		
- audit services	**1,897**	1,725
- non-audit services	**556**	350
Write-off of property, plant and equipment	**783**	2,960
Others	**160,788**	133,254
	3,963,360	3,470,818
Representing:		
Cost of sales	**2,478,982**	2,052,572
Selling and distribution costs	**1,320,637**	1,268,081
Administrative expenses	**163,741**	150,165
	3,963,360	3,470,818

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 period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates respectively.

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
Current tax		
- Hong Kong profits tax	**27,106**	7,533
- Overseas taxation	**14,672**	13,973
Deferred tax relating to origination and reversal of temporary differences	**(509)**	6,482
	41,269	27,988

8 Discontinued operation

During the last financial period, the Group discontinued the business of retailing of cosmetic products in Taiwan. The results of the discontinued operation for the period ended 30 September 2018 and 2017 are presented below:

	2018	2017
	HK$'000	HK$'000
Turnover	**13,259**	92,908
Other income and gains, net	**19**	1,196
Cost of sales and expenses	**(14,584)**	(107,147)
Loss before income tax	**(1,306)**	(13,043)
Income tax expense	**-**	-
Loss from discontinued operation	**(1,306)**	(13,043)
Actuarial gains on retirement benefit obligation	**12**	-
Currency translation differences of foreign subsidiaries recorded in translation reserve	**(1,668)**	515
Total comprehensive loss from discontinued operation	**(2,962)**	(12,528)

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

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
Write-off of property, plant and equipment	**-**	476
Depreciation of property, plant and equipment	**-**	2,111
Impairment of property, plant and equipment	**-**	2,378
Provision for slow moving inventories and shrinkage	**-**	2,207

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 period.

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
Profit from continuing operations attributable to owners of the Company	**204,167**	122,980
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the period (thousands)	**3,036,970**	2,993,130

(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 period. 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 30 September 2018 has been included in the number of shares.

9. Earnings per share (continued)

	2018 HK$'000	2017 HK$'000
Profit from continuing operations attributable to owners of the Company	**204,167**	122,980
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the period (thousands)	**3,036,970**	2,993,130
Adjustment for share options and awarded shares (thousands)	**591**	714
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**3,037,561**	2,993,844

From continuing and discontinued operations

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

	2018 HK$'000	2017 HK$'000
Profit from continuing operations attributable to owners of the Company	**204,167**	122,980
Loss from discontinued operation attributable to owners of the Company	**(1,306)**	(13,043)
Profit for the purpose of basic and diluted earnings per share from continuing and discontinued operations	**202,861**	109,937

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 0.04 HK cents per share (2017: Basic and diluted loss of 0.4 HK cents per share).

9. Earnings per share (continued)

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

	2018 **HK$'000**	2017 HK$'000
Loss attributable to owners of the Company from the discontinued operation	**(1,306)**	(13,043)
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the period (thousands)	**3,036,970**	2,993,130

During the period ended 30 September 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. Dividend

	Six months ended 30 September	
	2018 **HK$'000**	2017 HK$'000
Interim, declared – 7.0 HK cents (2017: 3.5 HK cents) per share	**216,454**	105,789

For interim dividend, scrip dividend election was offered to all shareholders. At a meeting held on 21 November 2018, the directors declared an interim dividend of 7.0 HK cents per share. The interim dividend will be payable in cash with a scrip dividend alternative. This declared dividend is not reflected as dividend payable in this condensed consolidated interim financial information, but will be recognised in shareholders' equity in the year ending 31 March 2019.

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 of trade receivables by invoice date is as follows:

	30 September 2018 HK$'000	31 March 2018 HK$'000
Within 1 month	**70,161**	106,084
1 to 3 months	**8,854**	17,694
Over 3 months	**18,148**	21,639
	97,163	145,417

The carrying amounts of trade receivables approximate their fair values.

12. Trade payables

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

	30 September 2018 HK$'000	31 March 2018 HK$'000
Within 1 month	**401,008**	475,588
1 to 3 months	**141,339**	127,437
Over 3 months	**18,700**	16,677
	561,047	619,702

The carrying amounts of trade payables approximate their fair values.

MANAGEMENT DISCUSSION & ANALYSIS

For the six months ended 30 September 2018 (“period”), the Group’s turnover for the continuing operations amounted to HK$4,147.2 million, representing an increase of 16.3% from HK$3,567.0 million for the six months ended 30 September 2017 (“previous period”). Retail sales in Hong Kong and Macau increased by 18.5% from HK$2,945.7 million to HK$3,489.9 million.

Excluding the loss making retail business in Taiwan, which was discontinued in the last financial year, profit for the period from continuing operations rose by 66.0% to HK$204.2 million against the same period last year. Taking into account the discontinued operation, the Group’s profit for the period was HK$202.9 million, representing an increase of 84.5% from HK$109.9 million for the previous period.

Basic earnings per share amounted to 6.7 HK cents as compared to 3.7 HK cents for the previous period. The Board resolved to declare an interim dividend of 7.0 HK cents (2017: 3.5 HK cents) per share, payable in cash with a scrip dividend alternative. The Group continued to expand its retail network in a cautious manner during the period. The total number of stores of continuing operations increased to 273, a net increase of 11 as compared to the previous period.

The Group is a constituent member of the Hang Seng Composite MidCap Index and has been a constituent member of Hang Seng Corporate Sustainability Benchmark Index since 2011. On 8 June 2015, the Group was included in the Hang Seng High Dividend Yield Index. It has also been an eligible stock for Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect in 2014 and 2016 respectively.

Market Overview

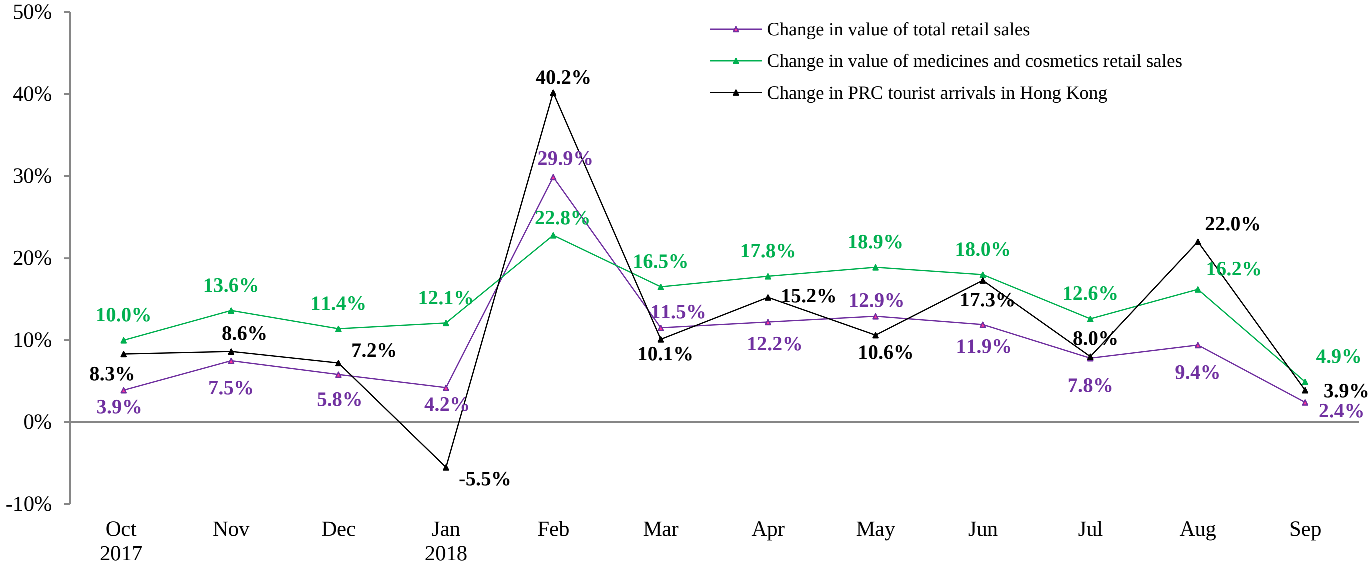
Retail Sales / Cosmetics Retail Sales in 2018 (year-on-year change)

Market	Retail sales change	Cosmetics retail sales change
Hong Kong	+9.4% (Apr – Sep)	+14.8% (Apr – Sep)
Mainland China	+9.3% (Jan – Sep)	+12.0% (Jan – Sep)
Singapore	+0.3% (Apr – Sep)	+5.1% (Apr – Sep)
Malaysia	+11.4% (Apr – Sep)	Note 1

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.*

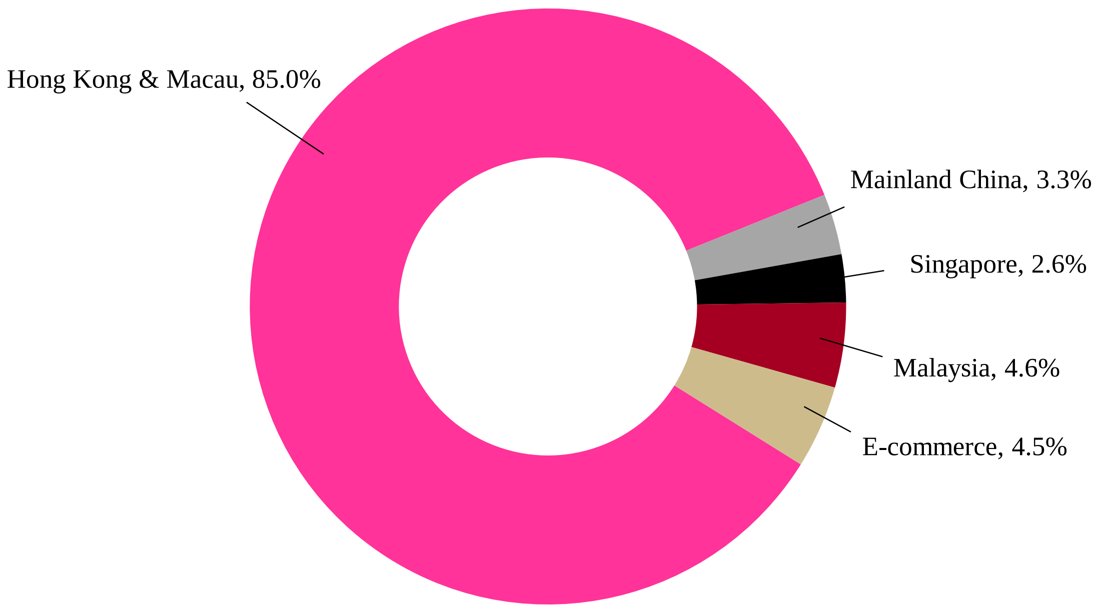
Retail Sales Performance in Hong Kong and PRC Tourist Arrivals in Hong Kong (year-on-year change)



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

Retail and Wholesale Business

1st Half FY18/19 Turnover Mix by Market

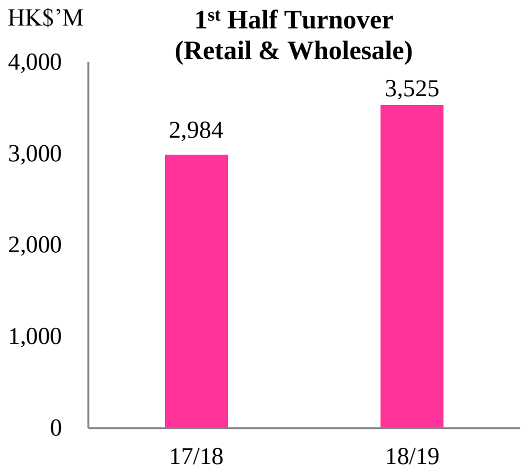


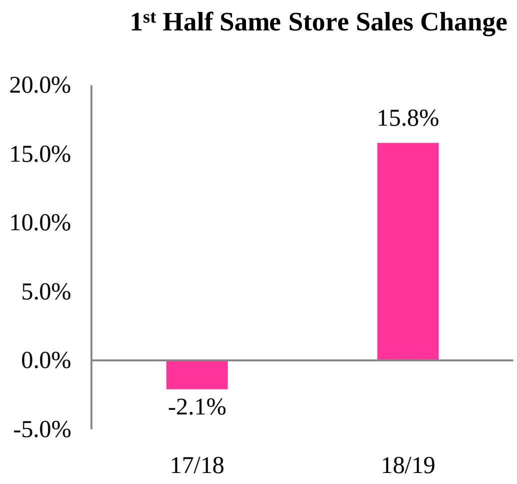
Store Network By Market

Market (Continuing operations)	**As of 30 Sep 2017**	**As of 31 Mar 2018**	Opened*	Closed*	**As of 30 Sep 2018**
Hong Kong & Macau	116	118	10	8	**120**
Mainland China	54	55	4	5	**54**
Singapore	19	20	5	3	**22**
Malaysia	73	72	5	-	**77**
Total	262	265	24	16	**273**

**Note: The number of stores opened and closed within 6 months between 1 Apr 2018 and 30 Sep 2018*

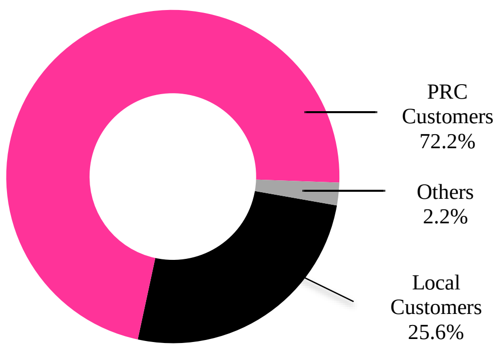
Hong Kong and Macau



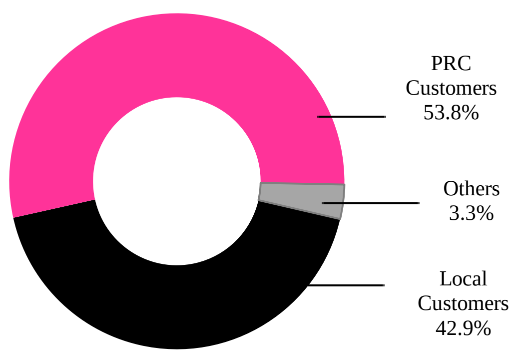


<u>Customer Mix (1st Half FY18/19 Retail Sales)</u>

By sales value



By no. of transactions



In the environment of a 4% rise in Hong Kong's GDP for the first half of 2018, the Group's retail sales in Hong Kong and Macau for the period increased by 18.5%, with same store sales rising 15.8% in comparison to the previous period. The number of transactions by Mainland Chinese customers increased by 21.8% compared to 0.2% for local customers. With customers buying less quantity but more expensive items in each transaction, average sales value per transaction increased overall by 7.0%.

With early positive benefits of the Greater Bay Area development driving the growth of same-day Mainland tourist arrivals, coupled with the stronger sentiment over spending by local customers, retail sales in Hong Kong and Macau performed strongly. However, from late June onwards, consumer sentiment was affected by fluctuations in both the stock market and the Renminbi (RMB) exchange rate due to growing uncertainties generated by the Sino-US trade war. Sales growth in the second quarter was also slowed by the attention given to the 2018 FIFA World Cup in June and July and a major typhoon that hit Hong Kong and Macau.

In September, Typhoon Mangkhut, the most powerful storm hitting Hong Kong since records began in 1946, had a severe impact on business performance in Hong Kong and Macau for a week with sales weakness lingering for a second week, although the impact was not as significant. As a result, sales for the month of September were flat, as compared to double-digit sales growth in all other months in the first half year.

On a more positive note, the Hong Kong Section of Guangzhou-Shenzhen-Hong Kong Express Railway Link ("XRL") was launched on 23 September 2018 to facilitate the flow of people within the Greater Bay Area. According to the government statistics, the railway provides quick access to Guangdong province and beyond for travellers from Hong Kong. However, the passengers were mostly Mainland visitors to Hong Kong. To capture this business opportunity, the Group opened a new shop in the Hong Kong West Kowloon station of XRL to attract customers, who are also served by more than 20 Sa Sa outlets in the neighbourhood. Following the launch of XRL, encouraging business growth was recorded for the Sa Sa retail outlets in Tsim Sha Tsui district.

Product strategy, in particular fast product rollout, was one of the key winning factors for the strong first quarter performance. Sa Sa enjoyed early competitive advantage for the launch of new products. Since Sa Sa was among the first to sell those brands in the region, the increasing popularity of these products with consumers in Hong Kong and Mainland China significantly boosted sales.

Sales-boosting trendy products demonstrated stronger sales performance over house brands, leading to a decrease in the sales mix of house brands from 39.8% to 35.8%. Despite the gross profit margin declining year-on-year to approximately 39.9%, operating leverage was realised on the strength of higher sales growth to deliver a drop in the rental to sales and frontline staff cost to sales ratio. This in turn led to an improvement of 1.8 percentage points in the net profit margin over the period.

In regard to shop strategy, the Group continued to record a net increase in openings, with 10 stores opened and 8 closed over the period, making a total of 120 shops as of 30 September 2018. Net retail space, however, reduced by 1.8% in the six-month period due to closure of larger shops. Cost control was good during the period, with rental renewals for 32 shops leading to a modest 0.8% increment in rentals. The Group launched a new shop image at 6 shops in Hong Kong in the first half year.

In late August, to celebrate the Group's 40^{th} anniversary, a pop-up store called "Beauty Land" was launched for one month in Causeway Bay. Themed as a floral fairyland, it offered selected products from Sa Sa's vast portfolio of house brands beautifully displayed alongside stunning experiential and game zones. This outstanding branding event attracted visitors and customers.

Following relocation to ATL Logistics Centre last October, the Group's new warehouse, with more concentrated and spacious conditions for automated operations, improved operational efficiency, which in turn supported the Group's robust sales growth over the period. The relocation of overflow capacity from Hong Kong to Shenzhen was completed in July 2018, which further lowered operating costs.

The Group also made progress in new retail and IT advancement and digitalisation. A new online-offline retail model was trialled in partnership with Taobao Global. This model gives Sa Sa greater exposure to consumer marketing in the PRC through Taobao buyers. The August pilot obtained favourable publicity in Mainland China and will be followed by more collaboration with Taobao Global in the near future.

Customer database integration took a step forward over the period. Customer contact information from three separate business units was integrated into a centralised cloud platform of customer relationship management system. In the coming months, more emphasis will be placed on customer data verification with the ultimate aim of achieving cross-selling to boost sales. During the review period, the Group conducted pilot testing of the referral of customers registered in Hong Kong to the physical stores in Mainland China and e-commerce platform using the Group's centralised customer database. The objective was to assess the most cost effective methodology of customer outreach and services.

IT is one of the key improvement areas for the Group's future success. During the review period, the in-store Point of Sale (POS) system was upgraded, and the in-store network and customer WiFi were enhanced to improve the overall shopping experience.

Mainland China

Overall turnover for the Mainland China operations decreased by 1.8% in local currency terms to HK$138.4 million, while same store sales in local currency decreased 2.0% for the period.

The Group continued to optimise its retail network, with 4 stores opened and 5 underperforming stores closed. The new shops were mainly clustered within the Greater Bay Area in Zhuhai, Dongguan, Jiangmen, as well as in Nanjing, totalling 54 shops as of 30 September 2018. Currently, a total of 16 shops are operated in 7 Mainland cities within the Greater Bay Area.

However, owing to weakness in the sales of house brand products during the period, gross profit decreased by 5.3% to HK$67.8 million as compared with the same period last year, while gross profit margin dipped 2.8 percentage points to 49.0%. This resulted in a loss of HK$15.9 million for the business in Mainland China. In the second half of the year, the Group actively improved the management of its house brand products, thereby increasing the sales of products with higher gross profit margins. The Group saw favourable results from October onwards. Further improvements on gross profit margin are expected to come through in the second half in order to narrow the losses.

Stable logistics costs were maintained in Mainland China against a backdrop of rising operating costs, thanks to a regular flow of manpower to support operations, various enhancement projects for cost optimisation, and an effective partnership with the main logistics service provider. Cost performance will continue to be closely monitored.

E-commerce

Turnover for the Group's e-commerce business amounted to HK$185.3 million, representing an increase of 4.6% over the previous period. Sales from third party platforms including Tmall, Kaola, Xiaohongshu and JD.com etc. grew more than 120% year-on-year. These third party platforms contributed more than 50% of sales in Sa Sa's e-commerce segment.

During the period, non-recurring expenses of HK$5.2 million were incurred, mainly attributable to currency losses from depreciation of the RMB, which impacted the profitability of the e-commerce business. Excluding non-recurring expenses, losses from the e-commerce segment narrowed from HK$18.8 million in the previous year to HK$11.8 million.

After successful efforts made last year to reduce logistics costs and shorten fulfilment time, the Group lowered the free delivery barrier to around RMB290 in April 2018. This caused a reduction in the average basket size over the first half of this year. Previously, in April 2017, the Group raised the minimum spending limit for free delivery to avoid incurring losses due to high fulfilment costs. However, the Group found it challenging to recover customers lost over the last year, which resulted in weaker sales through its own website and mobile app.

Nevertheless, Sa Sa's website and mobile app remain important channels for the Group's overall business, despite recording a weaker performance. Taken together, these channels have the ultimate aim of providing a seamless shopping experience for Sa Sa's customers via the strategic integration of online shopping and physical stores in Hong Kong, Macau and Mainland China. Serving the Group's customers as one of a number of touch points across different regions, they strengthen the Group's customer engagement and cross-channel sales.

In March 2018, cross-border e-commerce B2C direct mailing services were launched in various phases for the majority of online purchases via Sa Sa's own online channels and third-party platforms. This initiative offered faster delivery by completely eliminating the possibility of detention of goods at China Customs while it also offered more convenience for PRC consumers. Additional cost benefits accrued from the change of warehouse partner in early 2018. The logistics to sales ratio reduced to around 12.9% from 16.6% last year, with delivery time to Mainland China decreasing from 6.2 days to 6.0 days.

Singapore

During the period, the turnover for the Singapore operations was HK$105.8 million, an increase of 5.4% in local currency terms over the previous period. Same store sales showed a slight increase in local currency terms to 1.7% for the period.

As of 30 September 2018, the Group operated 22 shops in Singapore with 2 net openings during the period. The slowdown in same store sales growth was primarily due to the downtrend in footfall in retail stores, and the "cannibalisation" of sales with customers moving to new Sa Sa stores nearby for purchases.

The Group continued to build stronger foundations during the period. The local management team structure was strengthened to create synergies across departments. Operations were streamlined by closing underperforming stores, while new stores were strategically opened in suburban malls with good potential, thereby enhancing operational efficiency.

Strategic opportunities to boost sales and enhance customer loyalty included effective member-centric marketing and promotional campaigns as well as the launch of a mobile app for locals in June 2018.

The Group continued to offer a diversified product portfolio, eliminating underperforming SKUs and launching more in-trend products and exclusive new brands to differentiate Sa Sa from the market. Trainings for staff were further enhanced to improve staff morale and skills, which in turn helped improve service standards.

Malaysia

The turnover for the Group's Malaysia operations was HK$192.3 million, an increase of 6.9% in local currency terms over the previous period. Same store sales rose 3.3% in local currency terms. The Group's Malaysian business experienced month-to-month fluctuations due to various changes in consumption tax policy implemented by the new Malaysian government.

The Group opened 5 new stores, including 1 in Kuala Lumpur and 4 in other areas during the first half, totalling 77 as of 30 September 2018.

The Group devoted more resources to enhancing customer relationship management, with a strategic focus on Malay customers during the period. More Malay staff members were hired to better serve Malay-speaking customers as part of the business development strategy. In the product portfolio, a strategy was developed to highlight the make-up category, with more affordable offerings to meet customer demand. In addition, the Group began to focus greater efforts on targeting and retaining domestic Chinese customers.

Outlook

Hong Kong and Macau

Following the launch of the Express Railway Link and the Hong Kong-Zhuhai-Macau ("HZM") Bridge in September and October 2018 respectively, the Group is optimistic about the future growth of same-day Mainland tourist arrivals. According to estimates from the HKSAR Government, the target of daily ridership for XRL is 80,100 in 2018. This figure will gradually rise to 95,000 and 129,300 in 2021 and 2031, respectively.

The early benefits from the Greater Bay Area development on the Group's operations can be seen in the increased sales performance in the Tsim Sha Tsui district since the launch of XRL on 23 September 2018. Sales at the Sa Sa store in Hong Kong West Kowloon station were satisfactory during Golden Week in early October. The Group is studying the feasibility of opening new shops in tourist areas and cross-border areas near XRL station and the HZM bridge. The Group's vision is to operate a retail network of 180 shops in Hong Kong and Macau.

The Greater Bay Area national plan will bring vast opportunities to support the Group's long-term development. In the short term, however, consumption sentiment is likely to continue to be impacted by the Sino-US trade war, RMB fluctuations and stock market volatility. The Group aims at faster product rollout, along with boosting traffic and sales through high volume trendy products to offset the short-term negative impacts.

Embracing the Era of New Retail

The Group is committed to become more customer-centric, in particular via customer database integration, with customer data uploading currently in progress. The system aims to cover all customers in Hong Kong and Macau stores, Mainland China stores, online stores and local marketing by integrating them into a large and consolidated database.

Solid foundations will be laid for targeted promotions, cross-selling and loyalty enhancement initiatives across the three business units. After the integration and alignment across business units is completed, customers will enjoy a seamless shopping experience spanning online and offline operations within Greater China.

Satisfying the Customer – Digitalisation and IT Advancement

The launch of the new POS system, Internet of Things (IoT), and real-time inventory management will help the Group offer customers a seamless online-and-offline shopping experience while also keeping it up to date with the latest customer trends. The customer journey will be further enhanced with shorter delivery time and a unified experience for both in-store and online shopping.

A feasibility study was launched during the review period for streamlining the store checkout process to improve checkout efficiency. The upgrading project of the entire POS system is expected to kick start in the first quarter of 2019. This brand new POS system will further accelerate the checkout process through a much higher degree of automation. Benefits will include handling extensive promotions and supporting the advanced functions required for the Group's drive towards online and offline integration. The rollout of the new POS system is expected to start by end of 2019.

In addition, pilot testing of the new mobile checkout device that supports mobile payment has begun at the shops in Hong Kong as an alternative payment solution for purchases. It is expected that this will eventually help alleviate labour shortages and reap cost savings.

System improvements in warehouse automation will also improve the overall efficiency of the logistics function. Since labour shortages, especially of frontline staff, have been an acute problem for most retailers in Hong Kong and Macau, the Group's aim is to increase the degree of process automation and digitalisation to mitigate this issue.

Seamless delivery is at the core of the successful launch of the new retail model. In order to enhance inventory and logistics management, intensive training will be held for shop management and operational teams.

Customer-centric Product Strategy

The Group is aiming at faster product rollout, along with boosting traffic through high volume trendy products. Low productivity SKUs will continue to be eliminated to dedicate more shelf space to new and existing products with high productivity. Overall productivity will be raised while the risk of product obsolescence and expiry will be reduced.

The Group's overriding goal is to provide personalised products and services through multiple touch points, as well as to cater for customers' ever changing needs by means of big data analysis. As part of this strategy, the Group will regularly adjust the product portfolio and accelerate product launches to adapt to fast changing market trends, to maintain close partnerships with suppliers, and to enhance the image and promotion of Sa Sa's house brands and products sourced from local agents. The Group will further strengthen digital media promotion and raise the profile of house brands products in Hong Kong and the PRC.

Partnering Closely with Taobao Global

Taobao Global offers an established platform with an enormous number of fans, buyers and consumers. The Group expects that collaboration with Taobao Global will ultimately raise awareness of Sa Sa's exclusive and house brands, boosting exposure among PRC consumers while offering better access to big data for understanding customer behaviour. This data will also result in a more targeted product sourcing strategy.

The second wave of the promotional campaign will be scheduled for November in Hong Kong. Following the initial success of the inaugural campaign, further resources will be allocated to realise the full potential of this partnership.

Mainland China

With bright development prospects, the Greater Bay Area is expected to create a "one hour living circle"—whereby travelling between various PRC cities and Hong Kong will only take around an hour. This in turn will allow greater access to a much greater population.

Given the uncertainty generated by the recent Sino-US trade war, and the associated depreciation of the RMB would translate into higher import costs for Mainland China, and impact the consumption sentiment of Mainland customers, the Group will expand its retail network with caution. A new store will be opened in Dongguan by the end of the current financial year, covering 8 out of 9 Mainland cities in the Greater Bay Area. The Group will continue to optimise the retail network by closing underperforming shops in remote cities. New Sa Sa shops will be strategically located and in well-managed store clusters.

Logistics operations will continue to be upgraded to improve cost and delivery time. In addition to launching an enhancement project to alleviate general cost increments, the Group has focused on the strategic development of its warehouses across various regions in Mainland China to achieve performance optimisation. Currently, the Group operates rented warehouses in Beijing, Shanghai and Guangzhou to support its retail business in northern, eastern and southern China respectively. To cater for the stores in central and western China, the Group has established a fourth warehouse in Wuhan, with operations beginning in November 2018. Delivery costs and lead times are expected to improve further in these regions. As part of the Group's strategic plan, the fifth warehouse in Mainland China will be located in Chengdu. This warehouse will be established once the Group's retail network in western China reaches the targeted threshold.

E-commerce

The Group's e-commerce business provides a strong foundation for driving forward the Group's current and future development. At the same time, e-commerce supports Sa Sa's retail stores in Hong Kong, Macau and the PRC, while offering a more comprehensive online-to-offline shopping experience to customers.

In the coming half year, e-commerce operations will be enhanced to improve overall efficiency, logistics flows, and to reduce operating costs. Data analysis will be strengthened in the backend, including customer and sales data from third party platforms, in order to optimise marketing activities and sales strategy.

More resources will be invested in developing business in current third party platforms and to explore potential strategic partners. The Group is now merging the backend system of its e-commerce websites to the new central system, with the aim of enhancing processing efficiency, and providing real-time promotions and updates for customers in different geographies. This will enhance the customer experience. Meanwhile, further efforts will be devoted to driving faster delivery at lower cost. The warehouse in Hangzhou will be upgraded to improve logistics costs and lead time performance in early 2019.

Singapore

The Ministry of Trade and Industry Singapore has maintained its GDP growth forecast for 2018 at the range of 2.5% to 3.5%. With rising living costs potentially leading to less disposable income, coupled with rental rebounds, it is expected that the operating environment in Singapore will remain challenging.

The Group will continue to stabilise the local management team, and to streamline the store network by further penetrating into suburban areas to cater for the drastic changes in consumption behaviour over recent years. The Group is in a good position to further build the retail network, with the aim of operating a network of about 30 stores in Singapore in the next two years.

The customer experience will continue to be improved by utilising both online and offline resources; for example, by introducing new features on the Singapore mobile app. More digital efforts will also be devoted to marketing and strengthening customer relationship management, thereby further broadening the customer base and differentiating the brand and uniqueness of Sa Sa.

Malaysia

In Malaysia, the upcoming impact from the drastic change in consumption tax policy may affect consumption sentiment. The Sales and Services Tax (SST) was reintroduced, effective from 1 September 2018, to replace the previous Goods and Services Tax (GST). Under the new SST launched by the government, goods are taxed from 5 to 10 percent and services at 6 percent.

An independent research association in Malaysia adjusted the growth forecast for the retail market in Malaysia from 3.5% to 4.3% for October to December 2018, taking into account shopping behaviour during the tax-free holiday and the current economic environment.

The Group is committed to opening 4 stores outside the capital city in the second half year. The Sa Sa in-store experience will be further optimised, and the mobile app will be enhanced with new features that allow better access to a wider range of products by customers nationwide. The product offerings will be improved, and the in-store experience optimised with better service. Further efforts will also be made to tap into the preferences of Malay customers and attract more domestic Chinese customers.

Human Resources

As at 30 September 2018, the Group had close to 4,800 employees. The Group's staff costs for the six months ended 30 September 2018 were HK$577.2 million.

Financial Review

Capital Resources and Liquidity

As at 30 September 2018, the Group's total equity funds amounted to HK$2,654.8 million including reserves of HK$2,350.8 million. The Group continued to maintain a strong financial position with cash and bank balances of HK$1,159.2 million. The Group's working capital amounted to HK$2,177.7 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 period, 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 30 September 2018 were HK$2,654.8 million, representing a 6.9% 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 30 September 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 period. 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 30 September 2018, no asset of the Group was under charge to any financial institution.

Contingent Liabilities

The Group had no significant contingent liability as at 30 September 2018.

Capital Commitments

As at 30 September 2018, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK$27.7 million.

Conclusion

Sa Sa has a proven track record of delivering a solid performance and remaining resilient in the face of market changes. The Group strongly believes that the ongoing integration of its online and offline business will strengthen relationships and interactions with customers, which is crucial to support the long-term sustainability of the Group. In order to fully embrace the New Retail era, the Group is committed to creating multiple touch points to serve customers through closer cooperation between business units and by utilising an integrated customer database.

The Group aims to further improve the customer experience through a faster POS system to optimise the checkout process, IoT, a real time inventory management system, and improved logistics functions. The Group will continue to adapt to changes in the market and the evolving patterns, preferences and expectations of its customers by utilising both online and offline resources and by enhancing cross-platform promotions.

The Group foresees the long-term potential of the Greater Bay Area national plan, with the launch of the high-speed railway connecting Hong Kong and Mainland China, together with the opening of the Hong Kong-Zhuhai-Macau Bridge. The Group believes that the favourable policies and infrastructure development of the Greater Bay Area will drive foot traffic and economic prosperity within the region while nurturing the further growth of the retail industry. The Group has already set out an expansion blueprint and is poised to capture the full business opportunities of the plan in order to foster sustainable growth.

INTERIM DIVIDEND

The board of directors has declared an interim dividend of 7.0 HK cents (2017: 3.5 HK cents) per share for the six months ended 30 September 2018, payable to shareholders whose names appear on the register of members of the Company on Friday, 7 December 2018.

The interim dividend 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 December 2018. The interim dividend is expected to be paid on or around Wednesday, 23 January 2019.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining entitlement to the interim dividend, the register of members of the Company will be closed from Thursday, 6 December 2018 to Friday, 7 December 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all valid documents for the transfer 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, no later than 4:30 p.m. on Wednesday, 5 December 2018.

BUY-BACK, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2018, 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.

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 six months ended 30 September 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.

For more information on our corporate governance practices, please refer to the Company's annual report 2017/18 published in July 2018.

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

The Company has adopted a code regarding securities transactions by directors and certain employees 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 and relevant employees of the Company, all of them have confirmed that they have complied with the provisions set out in the code throughout the reporting period.

The interim report of the Company for the six months ended 30 September 2018 will be despatched to shareholders and published on the respective websites of Hong Kong Exchanges and Clearing Limited and the Company in the middle of December 2018.

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 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 November 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