



**Sa Sa International Holdings Limited** 莎莎國際控股有限公司  
Stock Code: 178 Annual Report 2013/14





# *Sense of style Partner in beauty*



*Being trendy is contemporary, shows refined sensibility;  
inner beauty is beautiful, is charming.  
Combining the two together  
allows your natural beauty to shine through.*

*Keeping abreast of trends, targeted market expansion,  
personalized beauty consultation, professional service,  
extraordinary shopping experience; as always,  
Sa Sa will be your beauty partner.  
Hand in hand with the community and our shareholders,  
Sa Sa will continue to grow and flourish.*



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## Corporate Profile



Sa Sa International Holdings Limited is a leading cosmetics retailing group in Asia. According to the “Retail Asia-Pacific Top 500” ranking of Retail Asia Magazine, KPMG and Euromonitor in 2013, Sa Sa is the largest cosmetics retail chain in Asia and one of the top ten retail groups in Hong Kong. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited in 1997 (Stock Code: 178) and its business covers Hong Kong and Macau, Mainland China, Taiwan, Singapore, and Malaysia, in which markets it employs over 5,000 staff. Maintaining its position as the leading cosmetics retailing group in Asia is the Group’s overriding vision. Our four-fold mission is to offer quality and comprehensive beauty solutions to our customers; to share success with our staff; to build long-term partnership with our suppliers; and to adhere to the principles of good corporate citizenship.

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

**Retail** – Sa Sa strategically positions itself as one-stop cosmetics specialty stores with a business focus on beauty. The Group caters to the market by offering a large variety of quality products from over 600 beauty brands around the globe, covering a wide spectrum of products from skin care, fragrance, make-up, body care and hair care to health food, and stretching across a broad price range from mass to premium markets for customers’ selection. The resulting product portfolio appeals to a highly diverse customer base. The Group sharpens its competitive edge through enhancing product portfolio, launching new products frequently, and expanding product variety and concept. Its extensive regional retail network currently comprises 271 “Sa Sa” multi-brand stores, as well as two La Colline specialty stores, one Suisse Programme specialty store and six Suisse Programme counters. Our e-commerce platform, [sasa.com](http://sasa.com), offers round-the-clock online shopping services along with comprehensive product and corporate information. It now serves customers from over 100 countries.

**Brand Management** – In addition to selling its own-branded products, the Group also acts as the sole agent for many international cosmetic brands in Asia. Since October 2002, Sa Sa has been appointed by a leading global prestige brand, Elizabeth Arden, as its sole agent in Hong Kong and Macau. The Group currently manages over 100 exclusive major beauty brands and is responsible for their brand building, promotion and distribution. This business accounts for 44.2% of Sa Sa’s total retail turnover.



## Competitive Edge

### Unique positioning as a one-stop cosmetics specialty store with strong branding

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

### Wide range of products meeting various customer needs

Sa Sa caters to the market by offering a large variety of quality products from over 600 beauty brands around the globe, covering a wide spectrum of products from skin care, fragrance, make-up, body care and hair care to health food, and stretching across a broad price range from mass to premium markets for customers’ selection. The resulting product portfolio appeals to a highly diverse customer base. The Group sharpens its competitive edge through enhancing product improvement, launching new products frequently, and expanding product variety and concept.

### Personalized cross-brand beauty advice

A new beauty consultant (“BC”) receives close to 250 training hours (including product knowledge; skin analysis; make-up application; selling techniques; customer service and general beauty knowledge) before she becomes a qualified BC. Leveraging on up-to-date service skills and product knowledge, our BCs uphold professionalism in providing tailor-made beauty advice to our customers. Their personalized beauty services, together with multi-brand recommendations and advice on product usage, fulfill the delicate needs of our customers.

### Extraordinary shopping experience

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



# Corporate Profile

## Exclusive Distributorship





# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-executive Director

Ms LEE Yun Chun Marie-christine

### Independent Non-executive Directors

Professor CHAN Yuk Shee, *PhD, SBS, JP*  
Dr LEUNG Kwok Fai Thomas, *PhD, BBS, JP*  
Ms TAM Wai Chu Maria, *GBM, JP*  
Ms KI Man Fung Leonie, *SBS, JP*  
Mr TAN Wee Seng

## COMPANY SECRETARY

Mr TSANG Sai Chung Kirk

## HEAD OFFICE

14<sup>th</sup> Floor, Block B, MP Industrial Centre  
18 Ka Yip Street  
Chai Wan, Hong Kong

## REGISTERED OFFICE

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

## AUDITOR

PricewaterhouseCoopers  
Certified Public Accountants

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited  
4<sup>th</sup> Floor, Royal Bank House  
24 Shedden Road, George Town  
Grand Cayman KY1-1110  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## PRINCIPAL BANKERS

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

## SHARE INFORMATION

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

## INVESTOR RELATIONS

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

## CORPORATE WEBSITE

[corp.sasa.com](http://corp.sasa.com)



## SHOPPING WEBSITE

[www.sasa.com](http://www.sasa.com)

# Five-Year Financial Summary

(Note 1)

Restated

2014 2013 2012 2011 2010  
HK\$'000 HK\$'000 HK\$'000 HK\$'000 HK\$'000

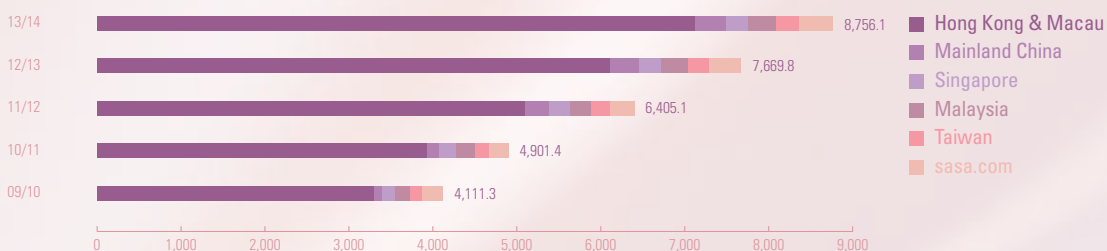
## Consolidated Income Statement

Turnover	8,756,105	7,669,798	6,405,121	4,901,364	4,111,345
Gross profit	4,072,987	3,558,344	2,896,681	2,211,880	1,814,864
Gross profit margin	46.5%	46.4%	45.2%	45.1%	44.1%
Operating profit	1,113,506	987,169	828,374	608,267	459,324
Profit for the year	935,235	825,634	689,709	509,270	381,887
Profit margin	10.7%	10.8%	10.8%	10.4%	9.3%

## Turnover

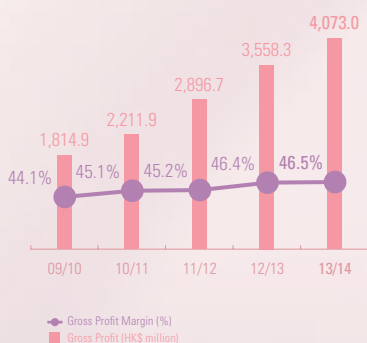
(HK\$ million)

CAGR<sup>a</sup>: ↑ 19.4%

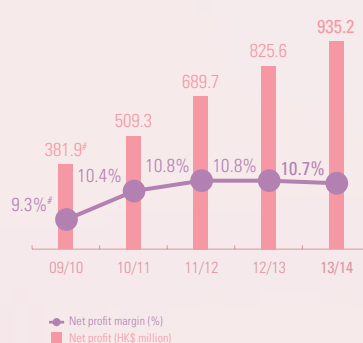


<sup>a</sup> CAGR = Compound annual growth rate for the last five years

## Gross Profit and Gross Profit Margin



## Net Profit and Net Profit Margin



<sup>#</sup> As restated



(Note 1)  
Restated

2014 2013 2012 2011 2010  
HK\$'000 HK\$'000 HK\$'000 HK\$'000 HK\$'000

## Consolidated Statement of Financial Position

Total assets	3,237,427	2,797,241	2,466,500	1,876,511	1,569,485
Total liabilities	(912,298)	(821,767)	(835,676)	(523,818)	(384,711)
Net assets	2,325,129	1,975,474	1,630,824	1,352,693	1,184,774

## Shareholders' Funds

Share capital	284,306	282,691	281,467	280,253	139,131
Reserves	2,040,823	1,692,783	1,349,357	1,072,440	1,045,643
Total equity	2,325,129	1,975,474	1,630,824	1,352,693	1,184,774

## Consolidated Statement of Cash Flows

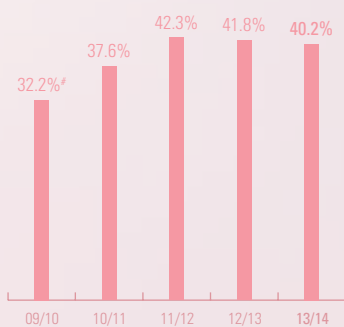
Net cash generated from operating activities	1,021,080	846,245	639,477	443,103	414,655
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## Per Share Data and Key Ratios

Basic earnings per share (HK cents) (Note 2)	33.0	29.3	24.6	18.2	13.8
Diluted earnings per share (HK cents) (Note 2)	32.9	29.2	24.4	18.1	13.7
Return on equity	40.2%	41.8%	42.3%	37.6%	32.2%

### Return on Equity

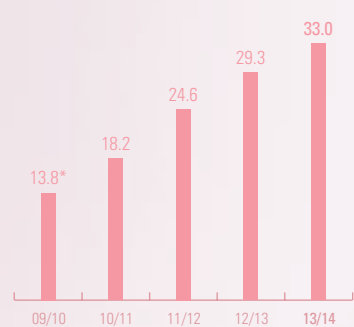
(%)



\* As restated

### Basic Earnings per Share

(HK cents)



\* Adjusted for the 1:1 Bonus Issue

## Five-Year Financial Summary

	2014	2013	2012	2011	(Note 1) Restated 2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Dividend per share (HK cents) (Note 2)					
Basic	13.5	7.5	5.5	4.0	4.0
Special	10.0	13.5	12.0	10.0	10.0
Total	23.5	21.0	17.5	14.0	14.0

Dividend payout ratio	71.4%	71.9%	71.4%	77.1%	102.0%
Dividend yield as at 31 Mar (Note 2)	3.8%	2.8%	3.9%	3.5%	4.6%
Closing share price as at 31 Mar (HK\$) (Note 2)	6.22	7.51	4.50	3.97	3.03
Price/Earnings (times)	18.8	25.7	18.3	21.8	22.0
Net asset value per share (HK\$) (Note 2)	0.82	0.70	0.58	0.48	0.43
Current ratio (times)	3.05	2.82	2.47	3.09	3.57
Gearing ratio	3.4%	–	–	–	–

### Operational Data

Number of retail outlets	280	260	249	205	173
– Multi-brand "Sasa" stores	271	249	227	181	150
– Single-brand stores/counters	9	11	22	24	23
Total gross retail area (sq. ft.) (Note 3)	648,305	572,075	512,833	367,443	298,449
Stock turnover days	107	110	124	109	90
Number of employees (rounding to the nearest hundred)	5,000	4,800	4,300	3,500	2,800

Note:

- 1) In FY2010/11, The Group had changed its accounting policy for measurement of leasehold building to cost less accumulated depreciation ("cost model") instead of fair value amounts less subsequent depreciation. This change meant that the building component and the more significant land component of property leases were measured on the same cost basis. The change had been applied retrospectively to remaining useful lives at the date of change of accounting policy.
- 2) Figures in 2010 has been adjusted for the 1:1 Bonus Issue.
- 3) The information on retail space provided is intended to allow the readers to appreciate the growth in retail network and the size of retail space only. As there are significant variation in sales per square foot between stores of different store sizes, as well as stores in different countries and location, the retail space information provided should not be used to analyse the trend on sales per square foot.

## Footprint in Asia

280 points of sales\*

### Mainland China

61 "Sasa" stores | 6 Single-brand counters

### Taiwan

29 "Sasa" stores

### Hong Kong & Macau

106 "Sasa" stores |  
3 Single-brand stores

Group Retail Network in Asia		
	As at 31 March 2014	
	Multi-brand "Sasa" Stores	Single-brand Stores/Counters
Hong Kong & Macau	106	3
Mainland China	61	6
Singapore	22	-
Malaysia	53	-
Taiwan	29	-
<b>Total</b>	<b>271</b>	<b>9</b>

### Malaysia

53 "Sasa" stores

### Singapore

22 "Sasa" stores

\*As at 31 March 2014



SUISSE PROGRAMME

PLATINUM PRECIOUS  
LUXURY UP-LIFT  
SERUM

SUISSE PROGRAMME  
PLATINUM PRECIOUS  
LUXURY LIFTING  
CONCENTRATE

SUISSE PROGRAMME  
PLATINUM PRECIOUS LUXE EYE CREAM

SUISSE PROGRAMME

PLATINUM PRECIOUS LUXE CREAM  
PREMIUM PLATINE CREME EYE

A romantic dinner table setting. In the foreground, a silver spoon and a silver knife are laid out on a light-colored, textured tablecloth. To the left, a white plate holds a piece of food, possibly a vegetable or a small salad, garnished with green herbs. In the background, a lit candle in a glass holder casts a warm, golden glow. A tall, slender glass, possibly containing wine, is visible on the left side of the frame. The overall atmosphere is intimate and elegant.

# SUISSE PROGRAMME

# Awards and Recognition

## Corporate Governance and Management

❄ Dr Simon Kwok was listed into the **“Who’s Who Leadership Award Scheme”** established by the *Asian College of Knowledge Management* in its first year running.



❄ Dr Simon Kwok received the **“Global Outstanding Chinese Award”** from the *Global Outstanding Chinese Association* for the first time.



❄ Dr Eleanor Kwok was named **“2013 Entrepreneur of the Year”** for the *Asia Pacific Entrepreneurship Awards 2013 Hong Kong* by *Enterprise Asia*.







❁ Dr Eleanor Kwok was named one of the 50 **"Asia's Power Business Women"** by *Forbes Asia*.

❁ Sa Sa won the **Citation for Corporate Governance Disclosure Award** in **"Best Annual Reports Awards"** organized by *Hong Kong Management Association*.



❁ Sa Sa was again named one of **Asia's 200 Best Under a Billion Companies** by *Forbes Asia*.

❁ It was the first time for the Group to receive three awards short-listings at the **"IR Magazine Awards – Greater China"**, which was amongst a total of 12 Hong Kong companies being short-listed. Sa Sa ranked the **11<sup>th</sup> in the Greater China Ranking** (last year: 20<sup>th</sup>), and ranked the **17<sup>th</sup> in the All-Asia Ranking** (last year: 25<sup>th</sup>).

Short-lists include:

- 1) By country, the Group was the **3<sup>rd</sup>** in the category of **Best Investor Relations by a Hong Kong Company**.
- 2) By sector, the Group was the **2<sup>nd</sup>** in the category of **Best in Sector – Consumer Goods & Services in Greater China (including retail)**.
- 3) By market capitalization, the Group ranked the **4<sup>th</sup>** in the category of **Grand Prix for Best Overall Investor Relations – Mid or Small Cap in Greater China**.



## Awards and Recognition

### Institutional Investor

The Group received eight nominations and ranking in “**All-Asia Executive Ranking – Consumer Sector**” by *Institutional Investor Magazine*. Dr Guy Look ranked the **3<sup>rd</sup>** in **Asia’s Best CFO** in the same survey.

Full list of nominations and rankings includes:

- 1) Best CEO Nomination – Dr Simon Kwok, *BBS, JP* (nominated by the Sell Side)
- 2) Best CEO Nomination – Dr Simon Kwok, *BBS, JP* (nominated by the Buy Side)
- 3) Best CFO Nomination – Dr Guy Look (nominated by the Sell Side)
- 4) Best CFO Nomination – Dr Guy Look (nominated by the Buy Side)
- 5) Best Investor Relations Nomination (nominated by the Sell Side)
- 6) Best Investor Relations Nomination (nominated by the Buy Side)
- 7) Best Investor Relations Professional Nomination – Ms Tiffany Cheung (nominated by the Sell Side)
- 8) Best Investor Relations Professional Nomination – Ms Tiffany Cheung (nominated by the Buy Side)



The Group was placed the **3<sup>rd</sup>** in the **Best Mid-Cap in Hong Kong** and the **8<sup>th</sup>** in the **Best Investor Relations in Hong Kong** categories in “**Asia’s Best Company Poll**” by *FinanceAsia*.



Sa Sa was ranked as **Top 10 Hong Kong Stocks – Return on Equity** for two consecutive years in “**Top 100 Hong Kong Listed Companies Ranking**” organized by *Finet* and *Tencent*.



Sa Sa clinched the title of the **Best Investor Relations Company (Hong Kong)** for the **3<sup>rd</sup>** consecutive year in the “**4<sup>th</sup> Asian Excellence Recognition Awards 2014**” organized by *Corporate Governance Asia*.



Sa Sa was named **Asia’s Outstanding Company on Corporate Governance (Hong Kong)** for the first time in the “**9<sup>th</sup> Corporate Governance Asia Recognition Awards 2013**” organized by *Corporate Governance Asia*.



The Group's **"Building Out Beauty Empire" Annual Report 2011/12** has recently won four notable awards in the **"International ARC Awards"**:



## International ARC Awards

Silver  
Silver  
Honors  
Honors



## Category

Retail Category: Illustrations  
Fragrances and Beauty Aids Category: Cover Photo/Design  
International Retail Category: Traditional Annual Report  
International Retail Category: Interior Design



The Group's **"Beautiful Results For A Beautiful You" Annual Report 2012/13** has won four notable awards in the **2013 Galaxy** and **2013/14 Mercury Excellence Awards**:



## Awards

Galaxy Awards – Gold  
Galaxy Awards – Gold  
Mercury Excellence Awards – Gold  
Mercury Excellence Awards – Silver



## Competition Categories

Annual Reports – Design: Traditional – Hong Kong  
Annual Reports – Overall Presentation: Retail – Cosmetics  
Annual Reports – Overall Presentation: Beauty/Cosmetics  
Annual Reports – Overall Presentation: Consumer Goods



The Group's renewed corporate website (<http://corp.sasa.com>) won the **International Business Standard of Excellence** recognition in **"WebAward Competition 2013"** organized by *Web Marketing Association of the United States*.

## Awards and Recognition

### Retail Brand Recognition



Sa Sa was the **largest cosmetics retail chain in Asia** and **one of the top ten retail groups in Hong Kong**, according to the “Retail Asia-Pacific Top 500” rankings of *Retail Asia Magazine*, *KPMG* and *Euromonitor* in 2013.



In *Ming Pao* and the *Chinese University of Hong Kong*’s “**Prestigious Corporate Brand Awards**”, Sa Sa won **Top 10 Prestigious Corporate Brand Awards** for the 7<sup>th</sup> consecutive year, as well as four accolades including **Best Socially Responsible Employer Award**, **Hong Kong Consumers’ Most Favorable Retail Brands Award** and **PRC Consumers’ Most Favorable Hong Kong Brands Award**.



The official Weibo page of the Group’s e-commerce *sasa.com* received the “**Weibo Star 2013**” – **Top 10 Most Influential HK Corporations Award** for the first time.



*sasa.com* was awarded “**Google Hong Kong Partners Awards – Annual Partner Award**” in 2013.

Sa Sa was awarded by *China Media Network* and *Hong Kong and Macau Individual Visit Scheme Organizing Committee* with “**The Most Popular Hong Kong and Macau Brand**” – **2013 Tourists’ Favourite, Starlight Award**.



The Group was named **The Most Favourite Brand by Mainland China Visitors – Cosmetics Chain** at the “**8th metroBOX Prime Awards for the Best Brand Enterprise in Greater China**”.



The Group was awarded by *TVB Weekly* the **Outstanding Corporate Image Award 2013**.

*Service  
Excellence*

✿ Sa Sa was awarded the **“Quality Tourism Services (QTS) Merchant” Gold Award of the Cosmetics, Personal Care Products and Specialty Store category** by the *Quality Tourism Services Association*. Staff members of Sa Sa, Ms Vivi So and Ms Joan Yeung won the **“Outstanding QTS Merchant Service Staff” Gold and Silver Awards** respectively.



✿ In the **“2013 Mystery Shoppers’ Programme”** hosted by the *Hong Kong Retail Management Association*, La Colline specialty store stood out among 175 retail outlets in Hong Kong and won the **Beauty Products/Cosmetics Category – Service Retailer of the Year** for the 9<sup>th</sup> consecutive year and the **Excellence Award** for the 2<sup>nd</sup> consecutive year. Sa Sa’s Store Assistant Supervisor, Ms Yuki Chan was awarded the **Beauty Products/Cosmetics Category – Service and Courtesy Award** at Supervisory Level.



✿ For the first time, the Group won the **Silver Award** in Counter Service at the **“Customer Service Excellence Award 2013”** organized by the *Hong Kong Association for Customer Service Excellence*.



✿ In *Eastweek* magazine’s **“Hong Kong Service Awards 2014”**, Sa Sa received the **Free Walkers’ Choice Award** for the 6<sup>th</sup> time.

## Awards and Recognition

### Corporate Social Responsibility



Hang Seng Corporate Sustainability Index Series Member 2013-2014

Sa Sa was a constituent member of the **Hang Seng Corporate Sustainability Benchmark Index** for the 3<sup>rd</sup> consecutive year in 2013.

Sa Sa received “**The Third Outstanding Corporate Social Responsibility Award**” from *Mirror Post* for the 2<sup>nd</sup> time.



Sa Sa was again awarded the **5 Years Plus Caring Company logo** in 2013/14 by the *Hong Kong Council of Social Service*.

Sa Sa once again participated in the “**Low-carbon Office Operation Programme Labelling Scheme**” organized by *WWF-Hong Kong*. It was awarded the **Gold Certified Label** subsequent to careful evaluation and assessment.





✿ Sa Sa achieved the **Certified Label** in the **“Green Office Awards Labelling Scheme”** organized by *World Green Organisation*.



✿ Sa Sa participated in the **“United Nations Millennium Development Goals”** organized by *Junior International Chamber North District*, and certified the **Better World Company Label**.



✿ Sa Sa participated in the **“CarbonSmart Programme”** of *Hong Kong Productivity Council*, and obtained **label certification**.



✿ Sa Sa became a **Silver Member** of the *WWF-HK* and it will further support the organisation in continuing to promote environmental education and conservation programmes within Hong Kong's community.



## Awards and Recognition

### Awards Presented to Sa Sa's Exclusive Products



#### Hong Kong

- ✿ **More – Best of the Best Award 2014**  
**banila co. it Radiant CC Cream SPF 30 PA++**  
 My Fav CC Cream
- ✿ **ELLE Beauty Awards 2014**  
**Suisse Programme Cellular Boosting Solution**  
 Best Booster
- ✿ **CG! U Fav Award 2014**  
**BEYOND God of Patch**  
 My Fav Mask (Gel/Paper)
- ✿ **BRTC 1<sup>st</sup> Ampoule Treatment Essence**  
 My Fav Treatment Essence
- ✿ **Dr.G Hydra Intensive BB Cream**  
 My Fav BB Cream
- ✿ **Cosmo Star Product Award 2014**  
**banila co. CC Cream**  
 Winner
- ✿ **banila co. Prime Primer**  
 Winner
- ✿ **Harper's BAZAAR Beauty Awards 2014 – Red List**  
**Caudalie Beauty Elixir**  
 Winner
- ✿ **Men's uno Regional Grooming Awards 2014**  
**NUXE Men MULTI-USE SHOWER GEL**  
 Best Shower Gel
- ✿ **Jessica Code Excellence Award 2014**  
**Suisse Programme Platinum Precious Luxury Eye Lift Concentrate**  
 Excellence in Firming & Lifting Eye Concentrate Award
- ✿ **Jessica Code Top 15 Whitening & Sun Block 2014**  
**Suisse Programme Gigawhite Supreme White Radiance Treatment**  
 Top 15 Whitening & Sun Block

#### Singapore

- ✿ **Singapore Women's Weekly – Best Beauty Buys 2014**  
**Méthode SWISS Thermal White Overnight Intensive Repair Mask**  
 Best Whitening Mask
- ✿ **Neogence Hyaluronic Acid Hydrating Oil-Control Water Gel**  
 Best Day Moisturizer – Oily Skin (Splurge)
- ✿ **Cosmopolitan Singapore – Winner Bright Sparks Awards 2014**  
**BRTC Jasmine Water BB Cream**  
 Best for Skincare Benefits (Bang for Buck)
- ✿ **The CLEO Beauty Hall of Fame 2013**  
**Suisse Programme Collagex Premier Global Lift Concentrate (Face & Neck)**  
 Best Facial Contouring Treatment





## Malaysia

 *The CLEO Whitening Awards 2014*

**Collistar Whitening Hydro-Lifting Essence V Shape Effect**

Best Spot Correcting and Line Correcting Serum

 *The Malaysian Women's Weekly - Best Beauty Buys 2013*

**CYBER COLORS Gemstone Compact powder SPF40++**

Best Compact Powder

 *Herworld Beauty Awards 2013 (July issue)*

**Suisse Programme Cellular Boosting Serum**

Best Hydrating Serum

 *female/EH!/NuYou Magazines - Beauty Best-Sellers 2013*

**Méthode Swiss Thermal Oxygen Soothing Eye Cream**

Beauty Best-Seller

## Taiwan

 *Beauty Anti-aging Awards 2013*

**GoodSkin Labs TRI-AKTILINE Plus**

 *BAZAAR Anti-aging Awards 2013*

**GoodSkin Labs Circleplex-2**

 *BAZAAR Whitening Awards 2013*

**GoodSkin Labs BB10**

 *QUEEN Anti-aging Cream Awards 2013*

**GoodSkin Labs Tri-Aktiline Plus**

## Mainland China

 *China Cosmetics - The most popular Mask Top 9*

**Suisse Programme Express Lifting Mask**

The most popular Mask Top 9

 *Mina - The Best Eyeline sasatinnie Perfect Duo Eyeliner*

The Best Eyeline

 *Business Bizmode - The Most Bright Skin Function*

**Suisse Programme Cellular Boosting Solution for Men**

The most bright skin function

 *Marie Claire Beauty - Top 100-Anti aging Top 25*

**Suisse Programme Collage Premier Global Lift Concentrate (Face&Neck)**

Anti aging Top 25

# Milestones

1978

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



1990

- 1 First "Sa Sa" standalone high-street store in Causeway Bay, Hong Kong.

1992

- 1 First branch store in Tsim Sha Tsui, Hong Kong.

2010

- 1 Opened "Sasa" stores in Tianjin, Yichang, Ningbo, and Shaoxing, with footprint in more than 10 cities in Mainland China.

2008

- 1 30<sup>th</sup> anniversary of the Group.
- 1 The Group's 100<sup>th</sup> store in Asia.

2006

- 1 First Suisse Programme beauty counter in Mainland China.



2011

- 1 The Group's 200<sup>th</sup> store in Asia.
- 1 Became a constituent member of the "Hang Seng Corporate Sustainability Benchmark Index".

2009

- 1 First Suisse Programme specialty store in Hong Kong.

2012

- 1 First store in Dalian, Jinjiang and Harbin, China.
- 1 Opening of Asia's largest flagship store in Jordan, Hong Kong, with 12,000 sq. ft.



2013

- 1 35<sup>th</sup> anniversary of the Group.
- 1 Opening of Sa Sa Supreme, the first lifestyle concept store in Asia Pacific, in Causeway Bay, with approximately 20,000 sq. ft.



## 1997

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



## 1998

- 1 First store in Malaysia.

## 2005

- 1 First Mainland store in Shanghai, China.

## 2002

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



## 2000

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

- 1 Opened first "Sasa" stores in Changsha, Nanjing, Dongguan, Chengdu and Zhuhai in Mainland China, with footprint in more than 28 cities in Mainland China.
- 2 The group's 100<sup>th</sup> stores in Hong Kong.
- 3 "Sa Sa Making Life Beautiful Charity Fund" was founded.
- 4 Miss Vivian Chow was appointed as the spokeswoman of Suisse Programme in Asia Pacific region.
- 5 Miss Athena Chu was appointed as the spokeswoman of Suisse Programme in Mainland China.



## 2014

- 1 Opened first "Sasa" stores in Zhongshan and Xi'an, with footprint in more than 30 cities in Mainland China.



# Méthode SWISS



*Reserved*

Méthode SWISS  
BEAUTY CARE

BIO-ORGANIC  
FIRST DEFENCE  
SERUM

SERUM  
BIO-ORGANIC  
PREMIERE DEF

Méthode SWISS  
BEAUTY CARE  
BIO-ORGANIC FIRST DEFENCE CREAM  
LE CRÈME BIO-ORGANIQUE PREMIERE DEFENSE

Méthode SWISS  
BEAUTY CARE  
BIO-ORGANIC FIRST DEFENCE EYE CREAM  
LE CRÈME BIO-ORGANIQUE PREMIERE DEFENSE



## Chairman's Statement

↑ 14.2%  
HK\$8,756.1 million  
The Group's turnover

↑ 13.3%  
HK\$935.2 million  
The Group's profit for the year

46.5%  
The Group's gross profit margin

280 outlets in Asia



I am delighted to report that Sa Sa International Holdings Limited once again recorded a positive performance for the year ended 31 Mar 2014 ("the fiscal year").

The Group continued to deliver satisfactory growth for the fiscal year, strengthening our platform as the leading and the most preferred cosmetics retailer in Asia. Against the backdrop of a slowly recovering global economy and a slowdown in Mainland Chinese tourist arrivals to Hong Kong, the Group's turnover increased to HK\$8,756.1 million, and the footprint of our stores rose to 280 across the Asia Pacific region.

The year also marked the launch of our new lifestyle concept store, Sa Sa Supreme. This new concept store has attracted an influx of prestigious international brands, as well as some young and trendy brands to become our partners. Sa Sa Supreme has, in turn, opened further possibilities for collaboration with important brand owners as well as consolidating our position as a leading one-stop beauty specialty store in the region. We believe this concept store will further fortify Sa Sa's brand image, develop our strategic partnerships with beauty brands, and create a broader, more comprehensive and more loyal customer base. It is our firm belief that this concept store will bring significant benefits to all respective parties.

The Group is committed to generating sustained and consistent returns for our shareholders. The Board of Directors is pleased to propose a final dividend of 9.0 HK cents per share and a special dividend of 5.5 HK cents per share. This makes the total annual dividend for the fiscal year 23.5 HK cents per share after taking into account the interim dividend of 4.5 HK cents per share paid together with a special dividend of 4.5 HK cents per share.

### **Growth Story Continues in Difficult Market**

In our core market of Hong Kong, retail sales grew alongside increased tourist spending, which were driven in turn by Mainland Chinese arrivals and the ongoing effect of the launch of the Individual Visit Scheme (IVS) since 2003. Spending by Mainland Chinese visitors has remained, and is likely to remain, an important driving force underpinning the growth of our retail sales in Hong Kong.

The economy in Mainland China and the composition of Mainland tourists have been evolving which continue to reflect changes in their profile, travel patterns and shopping behavior. While the cosmetics industry has remained resilient, such changes had some effect on the results for the fiscal year, indicating an increased number of lower tier city visitors with less remarkable average spending. Our sales growth and gross profit, as a result, were impacted.

To address this challenge, we researched and mapped out an appropriate product strategy, and implemented it with our practised effectiveness and efficiency. By offering more price-appropriate products to the changing customer mix, we were able to capture the growing demand in other price points and to continue with our brisk sales growth. In tactical terms, we are strategically extending our retail store network in appropriate locations beyond the traditional shopping areas to meet new demands.

At the same time, we are increasingly focused on price competitiveness to reinforce our emphasis on local customers. We have launched a variety of sales-boosting discount campaigns and promotions, which also serve as a token of appreciation to those legions of supportive customers who have been with us over many successful years.

Our Mainland China and Singapore markets showed some weakness during the year. These markets underperformed, primarily due to personnel and execution issues. As a result, the segmental contribution to the Group's turnover from markets outside Hong Kong and Macau only increased marginally at 4.2% from HK\$1,568.4 million to HK\$1,634.0 million. To build our base for future growth outside of our Hong Kong core market, we have taken steps to commit more expertise and management resources to improve the management structure.



## Chairman's Statement

In Mainland China, we continued to adjust our strategies to adapt to this important and evolving market. Our store revamp exercise proved highly successful and has been yielding much faster returns. Our enhanced geographical network, which has started to focus in particular on the Southern cluster, is a significant element of our business re-modeling strategy, and will help to consolidate our business base in Mainland China.

During the year, we witnessed keener market competition in the promising e-commerce sector in Mainland China. However, we also view this competitiveness as an opportunity for the market to become more regulated and therefore provide an environment in which the strength of our brand can win through. Recognizing the underlying needs and preferences of Chinese digital consumers, we are committing to invest more resources in marketing capability and product offerings. This initiative will support our strategy to further strengthen our online competitiveness as well as online to offline coordination. This, we believe, will be decisive for enhancing our customers' engagement and driving further growth.

It has been and will always remain our mission to make every endeavour to satisfy our customers' needs and to execute our permanent commitment to the enhancement of our product offerings and services. As a result, we are proud to have won the trust and loyalty of both our local customers and tourists from around the world.

In the last fiscal year, we have been investing in both our human resources and knowledge base to retain our competitive edge and help us drive the growth of our business. However, understaffing has been a major challenge for Hong Kong retailers. In response to this challenge, we are well positioned to further improve our staff retention and rewarding system. A Share Award Scheme has been adopted to recognize the contributions of our staff to the strength of the Company and to provide them with incentives to stay with Sa Sa in the Group's ongoing operational development and growth. We hope that the initiative can help demonstrate the Group's objective to be a preferred and socially responsible employer.

### Future Outlook

Looking ahead, the fiscal year of 2014/15 will not be an easy one for the Hong Kong retail market. We expect to be challenged by uncertainties in the marketplace, including reduced optimism about the near term outlook of Mainland tourist arrivals coupled with weaker spending. Both of these factors are detrimental to stable retail sales growth.

There is no doubt that the current strong dependence on Mainland Chinese visitors will continue to be a threat for the local retail market. Nonetheless, local consumers will provide potential and room for steady growth, although they constitute a lower proportion and percentage of overall retail sales.

The unstable growth in Hong Kong's overall retail sales over the last year suggests that the economic outlook will remain difficult to predict. Despite a high base in the first half of the year and the gross profit margin pressure as a result of aggressive promotions during the same period, we are seeking to sustain our growth in sales and manage our costs.

Firstly, we will actively manage our store network to rein in rental costs, and our store expansion plan in underperforming areas will be slowed. Secondly, we will implement better control over unproductive costs and the carrying costs of inventory. This will enable us to keep our overall costs under control.

### Mid- to Long-Term Outlook

We are cautious on the short-term outlook but are optimistic on the long-term sustainability of our business, not just in our Hong Kong stores, but also for both the offline and online environments and throughout the region.

According to the latest report by the Secretary for Commerce and Economic Development, it is projected that visitor arrivals in 2017 would exceed 70 million, while that in 2023 could exceed 100 million. With a fast-growing Mainland Chinese middle class, travelers' spending will inevitably rise. With an enhanced transportation network, including



the Guangzhou-Shenzhen-Hong Kong Express Rail Link (scheduled to be completed in 2017), Hong Kong will be further integrated into Mainland China and traveling times will be much quicker. We believe that Hong Kong's competitiveness will be thereby enhanced and that retail space will become even more vibrant through the support of long-term strategies of the Hong Kong Government.

Leveraging on Sa Sa's unique positioning and the solid foundation of our Hong Kong core market, the Group is committed to building our brand and strengthening the operations of our overseas markets to achieve growth in sales and market share. This will occur at different paces to synchronize with the local conditions of respective markets, thus increasing the contribution of these markets to the Group. To reach this goal, we will continue to invest in standardizing, streamlining and automating operation and business processes, using state-of-the-art IT technology to drive improvement in efficiency and control throughout the Group. The improved operational efficiency will give us with enhanced scalability to support sustained growth now and into the future.

The Group will respond to forthcoming market challenges with flexibility and decisiveness, and expand according to a measured and dynamic strategy. Our focus on brand management, for example, will remain a high priority. Committed to offering the most enjoyable shopping experience with the highest quality products to our customers, our offerings will see more diversity through the introduction of Korean brand names and home care DIY beauty equipment, both of which are highly sought after in Asia. The established position of our own brands will be further strengthened to provide us with a better profit margin. The Group will also continue to foster close partnerships with suppliers and beauty brands, providing them with all-round brand management services and solutions from image building and marketing to sales and distribution.

Finally, we take much pride in our commitments as a socially responsible corporate citizen, and we are glad to have accelerated our programmes in this area. The charity initiative "Sa Sa Making Life Beautiful Charity Fund", launched in March 2013, has served as a platform for the Group to devote greater engagement to society in a more systematic, principled manner.

## Conclusion

I would like to take this opportunity to express my heartfelt appreciation for the tireless efforts of our colleagues and our professional management team, who have supported the Group in our drive to achieve long-term sustainable development in this highly competitive and ever-changing market. Our financial strength, our resilience and flexibility, our expansion strategies and our governance structure and prudent cost controls will ensure that we can meet any challenge that the future may bring. The Group has a long track record of success in different economic conditions. We remain committed to expanding our business, discovering quality and trend-setting products all around the region, providing excellent customer services, creating an extraordinary shopping experience for our customers, and maintaining our leading position within the cosmetics retailing industry in Asia.



Dr Simon Kwok, *BBS, JP*  
Chairman and Chief Executive Officer  
Hong Kong, 26 June 2014





TRUSSARDI  
*My Name*

*Guess*

JUSTIN BIEBER  
THE RISK

JUSTIN BIEBER

# FRAGRANCES





# Management Discussion & Analysis



During the fiscal year, the Group's turnover rose 14.2% to HK\$8,756.1 million from HK\$7,669.8 million in the previous year. The Group's performance benefited from the strong performance of our Hong Kong and Macau core markets. Retail sales in Hong Kong and Macau increased by 17.8% year-on-year from HK\$5,965.9 million to HK\$7,026.5 million. The Group's retail network expanded from 260 to 280, a net increase of 20 stores.

The Group's profit for the year was HK\$935.2 million, an increase of 13.3% over the HK\$825.6 million achieved in the last fiscal year. Basic earnings per share were 33.0 HK cents, as compared to 29.3 HK cents in the previous year. The Group's gross profit margin for the fiscal year slightly increased from 46.4% last year to 46.5% this year. The Group's net profit margin slightly decreased to 10.7% from 10.8%. Final and special dividends per share proposed are 14.5 HK cents.

The year witnessed an ongoing series of achievements for excellence. According to the "Retail Asia-Pacific Top 500" rankings of Retail Asia Magazine, KPMG and Euromonitor in 2013, Sa Sa was the largest cosmetics retail chain in Asia and one of the top ten retail groups in Hong Kong. In September 2013, the Group was included as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index for the third consecutive year, and is also currently a constituent member of the Hang Seng Composite MidCap Index. The Group was also named by Forbes Asia as one of "Asia's 200 Best Under a Billion Companies" for the second consecutive year.

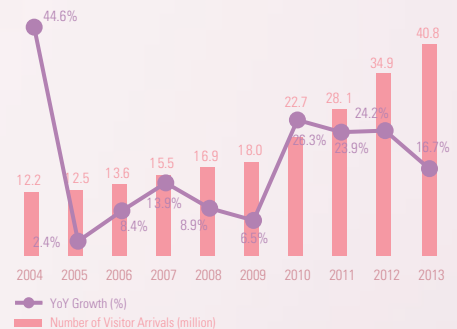


## Market Overview

### Hong Kong

In 2013, Hong Kong's GDP expanded by 2.9%. Mainland tourist arrivals to Hong Kong increased by 16.7%, compared to 24.2% growth last year. The growth of 16.7% shows strong resilience given the introduction of measures in early 2013 limiting milk powder entry into China and a slowdown in arrivals growth in the fourth quarter of 2013 due to the banning of zero-fee tour groups, sameday tourist arrival still managed a growth of 19.5% for 2013 while overnight tourist numbers rose by 13.1%. Sales growth of Medicines and Cosmetics remained solid and rose by 11.9% in 2013, outperforming the 11.0% growth of the overall retail market.

## Mainland China Tourist Arrivals to Hong Kong



Source: Hong Kong Tourism Board

### Mainland China

GDP growth in Mainland China slowed to 7.7% in 2013, while the full-year target for 2014 set by the PRC government is 7.5%. The "slackening" in growth was mainly caused by the government's macroeconomic controls and by its commitment to rebalance the economy away from over-dependence on exports and manufacturing towards more household consumption and calibrated services. Total retail sales grew encouragingly by 13.1%, with retail cosmetic sales increasing by 13.3%.

### Singapore

In 2013, Singapore's GDP growth rate rose from 1.9% in the previous year to 4.1%. Total retail sales declined by 5.1%, while retail cosmetic sales outperformed and recorded a growth of 3.8%.

### Malaysia

Despite a challenging external environment, Malaysia's economy recorded a solid growth rate of 4.7% in 2013, driven by stronger stimulus from domestic demand. This outweighed the negative impact of a relatively weak external environment. The retail trade registered a growth of 8.9% in 2013, supported by private sector spending.

### Taiwan

In 2013, Taiwan's economy expanded by 2.1% on the back of improvements in domestic exports and in consumer sentiment. In 2013, retail sales of Pharmaceutical and Medical Goods and Cosmetics posted growth of 1.5%, while overall retail sales growth recorded 2.0% for the year.

## Retail and Wholesale Business

### Hong Kong and Macau

During the fiscal year, Sa Sa maintained its leading market position in Hong Kong and Macau, which remained the primary contributor to the Group's turnover and profits. Turnover in Hong Kong and Macau increased by 16.7% year-on-year from HK\$6,101.4 million to HK\$7,122.1 million and same store sales rose 12.8%. Both the number of transactions and the average value per transaction increased.

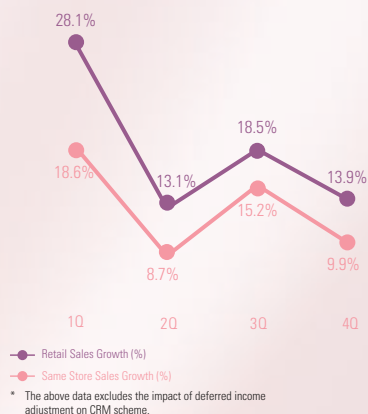
To place these figures in context, the number of transactions of Mainland China tourists increased by 26.9% while average sales value per ticket decreased by 2.8%. The number of transactions by local consumers slightly edged up by 2.7% with an average spending increase of 2.5%.

Our overall performance was largely due to the resilience of cosmetics sales, which outperformed total Hong Kong retail sales and the Group's relative competitiveness, allowing us to gain market share at the same time. Our retail sales maintained a relatively consistent upward trajectory as the Group continued to benefit from the steady increase in sales to both local residents and Mainland tourists.

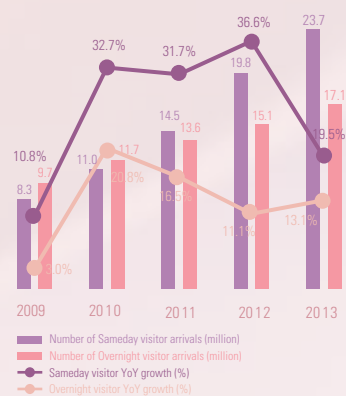
Mainland tourist arrivals rose by a relatively healthy 16.7% for 2013. But mainland arrivals were weakened in the second half of the fiscal year (and particularly in the fourth quarter), reflecting the slowdown of outbound Chinese tourist growth during that period. Sameday visitor arrivals were still the primary growth engine with an increase of 19.5%, boosting sales in our non-tourist areas, particularly in the New Territories near the border with the rest of China.

Overnight Mainland visitors increased 13.1% from last year, which also drove our sales, but we believe that the overnight tourists originating from lower tier Mainland cities with less spending power constituted an increasingly higher percentage of that total. This in turn resulted in a 2.8% drop in the average ticket size of Mainland customers.

## Retail Sales Growth & Same Store Sales Growth of Hong Kong & Macau in FY2013/14



## Sameday and Overnight Mainland China Tourist Arrivals to Hong Kong



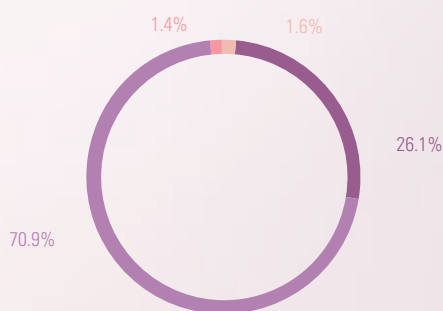
Source: Hong Kong Tourism Board



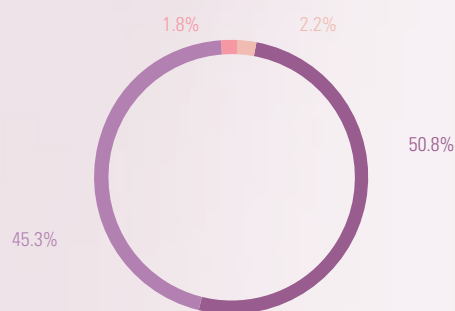


It has been our strategy to introduce more lower-priced items to cater to the needs of the tourist and local consumer market. As we engaged in more aggressive promotions to enhance price competitiveness in the second half with a particular focus on low- to mid-priced products, we have been able to drive a 14.3% growth rate in transactions during this period, and ended the year with a healthy growth rate of 13.1% of the same. Meanwhile, this successfully boosted sales from more price sensitive local consumers with year-on-year growth of 8.3% in the second half of the fiscal year. There was acceleration in the decline of average ticket size in the second half of 2014 as a result but we were able to continue to grow our customer base despite a more difficult operating environment. The combined effect is that overall retail sales growth slowed down in the second half to 16.2% from the first half growth of 19.9%.

Hong Kong & Macau Retail Sales - Customer Mix by Sales Value



Hong Kong & Macau Retail Sales - Customer Mix by Transaction



■ Mainland tourists ■ Other tourists ■ Southeast Asian tourists ■ Local residents

We continued to broaden our house brand product range. This resulted in increasing sales of House Brand products, which rose by 22.1% due to the success of our product development and marketing strategies and initiatives.

Overall, we pursued network expansion in a strategic and disciplined manner, taking into account the market needs to satisfy our increasing customer base as well as cost considerations, in order to increase market share and capture potential from the moderating yet still buoyant growth of Mainland tourist arrivals. There was a net increase of nine "Sasa" stores during the year. As at 31 March 2014, there were 106 "Sasa" stores (including seven in Macau), one Suisse Programme specialty store and two La Colline specialty stores.

## Management Discussion & Analysis

### Mainland China

During the year, we focused on openings new stores in our boutique size format and continuously improved our in-store and frontline staff productivity. However, fiscal 2014 witnessed various personnel changes in the purchasing department and a new logistics contractor to counter inefficient inventory management, which in turn has led to depletion of stock and loss of sales. As a result, the Group's turnover in Mainland China was HK\$365.8 million, a barely flat growth and same store growth in local currency terms decreased by 3.7%.

At the beginning of fiscal 2014, the Group conceived a strategy to increase the profitability and contribution of our stores, namely the adaptation of a smaller "boutique store format" to lower cash outlay and operating costs with little compromise to productivity. During the year, 15 new boutique stores were opened with remarkable improvement in profitability and with the average payback period being less than a year.

In addition, we opened more stores in our Southern China cluster where we have stronger brand awareness and better support from landlords. Our store performance here outperformed the Group's other clusters. We established a new representative office in Guangzhou to support our training and marketing functions, as well as to improve the growth and supervision of own label sales in the Mainland. The aim of these initiatives is to enhance our operational efficiency in the Southern regions.

Leveraging this enhanced business model and placing our geographical strategy on the right track will give the Group more confidence to energize the expansion in the coming months and years.

Overall in Mainland China, Sa Sa adopted a strategy with more focus on House Brand products. This strategy has proven successful in Hong Kong, but the execution in Mainland China was hampered by the relative inexperience of new staff, weaker execution abilities and sudden changes in management – hence loss of sales.

As at 31 March 2014, we had a presence in 31 cities and across 15 provinces in Mainland China with 61 "Sasa" stores in five regional clusters, 17 "Sasa" store new openings and nine closures, and a total of six Suisse Programme counters.

### Singapore

During the fiscal year, turnover for the Singapore market grew by 2.2% in local currency to HK\$256.7 million. Same store sales dropped by 1.8% in local currency. The slower sales growth was mainly due to the challenge of filling vacancies for frontline staff and manpower constraints resulting from tightened foreign worker quotas, which adversely affected our store productivity. Moreover, there were fewer atrium sales as compared to last fiscal year because of a lack of vacancies in the schedule. The "Sasa" store network increased by one store to 22 as at 31 March 2014.







**Malaysia**

Turnover in our Malaysia market rose 9.8% in local currency to HK\$335.2 million. Same store sales grew 4.6% in local currency.

Our retail sales growth exceeded that of our peers as well as the overall retail market due to the Group's expansion drive and positive same store sales contributions.

An enhanced Incentive Scheme improved House Brand sales and increased basket size for Private Label brands, with the result that the House Brand mix increased from 46.4% to 46.6%. As at 31 March 2014, there were 53 "Sasa" stores in Malaysia.

**Taiwan**

Turnover in the Taiwan market during the year was HK\$282.3 million, a rise of 12.8% in local currency. Same store sales grew by 5.1% in local currency.



Despite the weak local consumption sentiment, we enlarged our network in the past year to capture the growth potential from the market. We also enhanced our product portfolio and increased our lower priced products offerings with the objective of increasing traffic and driving sales through cross-selling. We added one store during the period. As at 31 March 2014, there were 29 "Sasa" stores in Taiwan.

**E-commerce – sasa.com**

Turnover for sasa.com amounted to HK\$394.0 million, a rise of 2.6% over the previous fiscal year. Last fiscal year the Group successfully opened up new markets, and this fiscal year we continued to penetrate into these diversified markets through localized marketing strategies.

The flat turnover was mainly due to a much weaker Australian market, which offset gains in other markets. The decline in sales to Australia was due to department stores in Australia slashing prices to realign with international prices. This automatically made shopping online overseas less attractive, a situation exacerbated by a significantly weaker Australian Dollar.

In order to increase competitiveness in overseas markets, the Group invested more in processes such as the acceptance of local currency payment and local payment gateways, enhancing marketing capability and improved website content management.

In 2013, sasa.com was awarded the "Google Hong Kong Partners Awards – Annual Partner Award" and "Google Export Award", and also received the Weibo Star 2013 – "Top 10 Most Influential HK Corporations" award for the very first time.

## Management Discussion & Analysis

### Brand Management

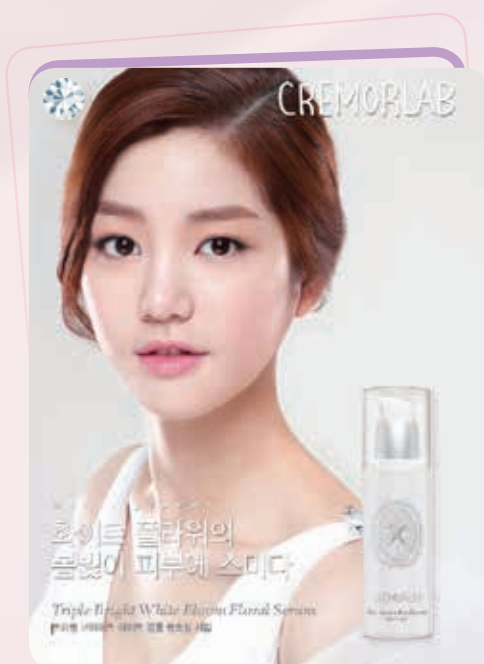
Sa Sa's brand management focuses on the management of own brands and international brands for which Sa Sa acts as sole agent or distributor in terms of brand building, marketing, sales and distribution.

During the year, the Group's sales of owned brand, sole agent and exclusively distributed products, collectively referred to as House Brands, increased steadily by 19.5%, contributing 44.2% of the Group's total retail sales as compared to 42.5% for last year.

Our strategy of allocating more sales and marketing resources to House Brands with the greatest growth potential, and also to our hero products, successfully drove strong sales growth of our own-branded and exclusively distributed products.

Due to the rising popularity of the Korean skincare and cosmetic products in recent years, the Group brought in a number of well-known Korean exclusive brands such as banila co., BEYOND, CREMORLAB, BRTC and reskin. Korean product sales in Hong Kong and Macau saw robust growth with an increase of 57% of sales. We will continue to closely follow market trends by launching trendy and timely new products catering for different customer segments. We will also seek to cooperate more closely with Korean principals to better realize the potential of their brands.

The increase in our mid- to low-priced and trendy product offerings helped to serve the consumer trend of buying lower price products. We will continue to implement our diversification strategy in the product categories as well as to broaden our appeal to segments such as the young people segment and home DIY sector. New Suisse Programme ambassadors have been appointed and showcased with a series of product promotion campaigns.





### Outlook and Strategies

The Group expects the coming fiscal year to be challenging. A slow global economy is likely to be vulnerable to political turmoil and general weak consumption. The almost exponential growth of Mainland visitors to Hong Kong and Macau has slowed and the previously upward moving growth pattern has become more volatile, while Mainland tourists' spending power has also weakened. As a result, our FY2014/15 quarter-to-date (i.e. period up to 21 June 2014) sales growth in Hong Kong and Macau has been slowed to 5.4% year-on-year (FY2013/14 1<sup>st</sup> Quarter: 28.1%) while same store sales rose by 1.5% year-on-year (FY2013/14 1<sup>st</sup> Quarter: 18.6%).

In addition, a trend of increasing competition and pricing pressure on traditional cosmetic retailers has taken hold due to the intensive penetration of e-commerce in Mainland China. The growing anti-Mainland tourist sentiment in Hong Kong is likely to be reflected in new legislative measures to make such flows more sustainable – and hence in the long run more profitable.



Historically, the cosmetic industry has been resilient to changing economic circumstances as has been demonstrated by the recent out-performance of the sector. Continued growth momentum is therefore likely due to the evolving integration of Hong Kong into the Mainland and the strength of the demand for cosmetics from Mainland visitors.

The Group's scale outside Hong Kong is modest, but this low starting point implies huge potential to grow in all our existing markets. We will therefore devote more resources to drive both the turnover and profit contribution from all existing markets outside our home base.

We will make further efforts to strengthen our own labels and our brands with storyline and marketing investments. The Group will enhance the strength of our product offerings, target product gaps in

our product offering, identify consumers' preferences for new products as well as their ever-changing requirements on product functions, and offer appropriate products to satisfy these demands. Furthermore, we will increase our House Brands coverage to boost the sales mix of our Owned Brands, which will enable us to increase the Group's gross profit margin and offset rising cost pressures. We will also make use of effective O2O coordination for the purposes of building our Own Brands and create greater awareness and recognition, thus enhancing sales momentum.

## Management Discussion & Analysis

Overall, the Group will continue to expand our network in the region with discipline, taking into account market circumstances and to strengthen our retail brand and product portfolio through closer cooperation with beauty brand owners in order to strengthen our brand position as being the leading cosmetics retailing group in Asia. We are developing a system to improve the accuracy and reliability of ordering Own Brand products. The system development will facilitate our reduction in manpower dependence and increase our scalability.

The Group aspires to continue to act responsibly both socially and environmentally. We will therefore further develop strategies and act on sustainability issues, including incorporating environmentally conscious measures throughout our operations. This is very much in line with the spirit of being a constituent stock of the Hang Seng Corporate Sustainability Benchmark Index.

### Conclusion

The Group has shown that we are able to expand and grow in both Hong Kong and overseas markets in all economic climates and facing all kinds of market challenges. We have faith that our flexible and well-scaled business model, with its readiness to adapt and target new brands to new markets and segments, will stand us in good stead whatever the market circumstances.

In this sense, the recent issues concerning possible control of Mainland tourist arrivals in Hong Kong is part of a story familiar to all successful business. We will continue to adapt and grow, basing our forward confidence on a very strong track record, the satisfying attainment of the number one position in the Asia Pacific for providing beauty products, and our determination to maintain that position through the commitment, expertise, resilience and courage of our loyal staff and our outstanding management team. In this spirit, we at Sa Sa look forward to many more years of sustained, world-class growth.



## Capital Resources and Liquidity

As at 31 March 2014, the Group's total equity funds amounted to HK\$2,325.1 million including reserves of HK\$2,040.8 million. The Group continued to maintain a strong financial position with net cash and bank balances of HK\$909.3 million (after netting off a HK\$80 million loan). The Group's working capital was HK\$1,755.7 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 year, the majority of the Group's cash and bank balances were in Hong Kong dollar, Renminbi, Malaysian Ringgit, Singapore dollar, Taiwan dollar, Euro and US dollar and deposited in reputable financial institutions with maturity dates falling within a year. And the borrowings were denominated in Hong Kong dollar 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 2014 were HK\$2,325.1 million, which represented a 17.7% year-on-year increase.

The gearing ratio, defined as the ratio of total borrowings to total equity, was 3.4% as at 31 March 2014 (31 March 2013: Nil).

## 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 significant 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 currency contracts with reputable financial institutions to hedge against foreign exchange exposure arising from non-Hong Kong dollar or US dollar denominated purchases. The Group also hedges any excess Renminbi in Hong Kong to manage the overall currency risk profile. These hedging policies are regularly reviewed by the Group.

## Charge on Group Assets

As at 31 March 2014, no Group asset was under charge to any financial institutions.

## Contingent Liabilities

The Group had no significant contingent liability as at 31 March 2014.

## Capital Commitments

As at 31 March 2014, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK\$179.2 million.



# COSMETICS





banila.co

THEIR FOLLO

CYBAYE COLOURS


banila.co

PUDDA

Very Sexy LIP PLUMP



## Biographical Information of Directors and Senior Management



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





## Biographical Information of Directors and Senior Management

- \* Member of the Audit Committee
- § Member of the Executive Committee
- ≠ Member of the Nomination Committee
- Δ Member of the Remuneration Committee
- ^ Member of the Risk Management Committee

### Executive Directors

#### *Dr KWOK Siu Ming Simon<sup>S^</sup>, BBS, JP* *Chairman and Chief Executive Officer*


Aged 61. Dr KWOK together with his wife, Dr KWOK LAW Kwai Chun Eleanor, has overseen Sa Sa's operations since the Group's earliest days and successfully listed the Company on the Stock Exchange of Hong Kong in June 1997. Over the past 36 years, Dr KWOK has played a leading role in transforming Sa Sa into a leading market player with a regional network of operations in Asia. Dr KWOK is currently a Committee Member of the Chinese People's Political Consultative Conference of Hubei Province, a member of the Electoral Conference for the election of Hong Kong Deputies to the Twelfth National People's Congress of the People's Republic of China, a member of the Election Committee in the Wholesale and Retail subsector, the President and Honorary Life President of the Cosmetic & Perfumery Association of Hong Kong, the Honorary President of the Federation of Beauty Industry (HK), the Honorary President of the International CICA Association of Esthetics-CIDESCO Section China, the Honorary Founding President of the Professional Validation Centre of Hong Kong Business Sector, the Honorary Life President of the Hong Kong Brands Protection Alliance, the Chairman of the Quality Tourism Services Association Governing Council and the Honorary President of the Immigration Service Officers Association. He is also a select member of the Board of Trustees of New Asia College, The Chinese University of Hong Kong, a voting member of The University of Hong Kong Foundation and a board member and a founding life member of the Hong Kong Polytechnic University Development Foundation.

Dr KWOK received the "Global Outstanding Chinese Award" from the "Global Outstanding Chinese Association" and was selected for the "Who's Who Leadership Award Scheme" by the Asian College of Knowledge Management in 2014. In 2012, he received the "China Cosmetic Retail Industry Special Contribution Award" from the Circulation Industry Promotion Centre of Chinese Ministry of Commerce and the China Beauty Expo Organizing Committee. He was an awardee in The Directors of the Year Awards 2011 in the Listed Companies (SEHK – Non Hang Seng Index Constituents) category organized by the Hong Kong Institute of Directors, a winner of the "Owner-Operator Award" at the DHL/SCMP Hong Kong Business Awards 2007 and a winner in the Retail Category in the "Ernst & Young Entrepreneur of the Year Awards China 2006". Dr KWOK was elected University Fellow by The Hong Kong Polytechnic University in 2012, received the degree of Doctor of Business Administration *honoris causa* from the Open University of Hong Kong in 2011, and a *honoris causa* doctorate degree in Business Administration from Lingnan University in 2008.

Dr KWOK is an active participant in the work of charities. He is a member (2009–15) and the First Vice-President (2014–15) of the Board of Directors, the Executive Committee Chairman (2014–15) of the Community Chest of Hong Kong, an Executive Board Member of the Hong Kong AIDS Foundation (2006–15), and an Honorary Advisor (since 2006) and the Co-chairman for the Organizing Committee (2006 & 2009) of The Hong Kong Committee for the China AIDS Initiative.

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

Dr KWOK is the brother-in-law of Mr LAW Kin Ming Peter, Senior Vice President of Category Management and Product Development of the Company.



## Biographical Information of Directors and Senior Management

### *Dr KWOK LAW Kwai Chun Eleanor* <sup>S#Δ^</sup>, BBS

#### *Vice-chairman*

Aged 60. One of the founders of the Group and a member of the Executive Committee, Nomination Committee, Remuneration Committee and Risk Management Committee. Dr KWOK has more than 38 years of experience in the sales and marketing of beauty products. With extensive professional knowledge and many years of experience in cosmetics retailing, she pioneered the unique operational concept of open-shelf display of beauty products, making shopping a more enjoyable experience. Dr KWOK plays a leading role in the marketing, operations, human resources and staff training functions of the Group. She is currently the Honorary President of the Cosmetic & Perfumery Association of Hong Kong, an Executive Committee Member of the Guangdong Provincial Women's Federation, the Honorary President and a Council Member of The Hong Kong Federation of Women ("HKFW") and a member of The HKFW Entrepreneurs Committee.

Dr KWOK was named "2013 Entrepreneur of the Year" in the Asia Pacific Entrepreneurship Awards 2013 Hong Kong by Enterprise Asia and received "The Excellent Award in Hong Kong Beauty Industry 2012/13" from the International CICA Association of Esthetic-CIDESCO Section China in 2012. Dr KWOK won the "Outstanding Women Entrepreneurs" award of the Hong Kong Women Professionals & Entrepreneurs Association in 2008, and received the "World Outstanding Chinese" award from the World Outstanding Chinese Association and World Chinese Business Investment Foundation. She was conferred an Honorary Doctorate of Management by Morrison University, USA, and an Honorary Fellowship by the Professional Validation Centre of Hong Kong Business Sector.

Dr KWOK is actively involved in charity activities. She is the President of The Sa Sa Making Life Beautiful Charity Fund (since 2013), the Vice-chairman of the Board of Directors for Po Leung Kuk (2012–15), the Vice President of the Hong Kong Girl Guides Association (2012–14), and was a patron of Caritas Fund Raising Campaign (2007–14). Dr KWOK was also a member of the Board of Directors for Po Leung Kuk (2006–12), one of the Originators of the "Making Life Beautiful" Beauty Ambassador Training Programme together with Sa Sa (2008 and 2009).

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

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


### Dr LOOK Guy<sup>S^</sup>

#### *Chief Financial Officer and Executive Director*

Aged 57. Dr LOOK is the CFO, Executive Director, and a director of certain subsidiaries of the Group. Dr LOOK has over 32 years of experience in local and overseas financial and general management. Prior to joining Sa Sa in March 2002, he was the CFO and an Executive Director of Tom.com Limited (renamed TOM Group Ltd.). He holds a Bachelor's degree in Commerce and received a degree of Doctor of the University *honoris causa* from the University of Birmingham, England. Dr LOOK is an associate member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants ("HKICPA"). He is also a member of the Professional Accountants in Business Leadership Panel of HKICPA. Dr LOOK is the Vice-chairman of the Hong Kong Retail Management Association. He is a member of the Energy Advisory Committee of the Government of the Hong Kong Special Administrative Region and a member of the CNBC Global CFO Council. He was a member of the Statistics Advisory Board of the Government of the Hong Kong Special Administrative Region.

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





## Biographical Information of Directors and Senior Management

### Non-Executive Director

#### *Ms LEE Yun Chun Marie-christine*

Aged 54. Appointed as a Non-executive Director of the Company on 26 February 2013. Ms LEE has a proven leadership position in retailing, branding and marketing, with more than 16 years of experience. Ms LEE is currently an ambassador of Harry Winston (Hong Kong) Limited, focusing on sales, branding and marketing, and successfully launched its debut shop in Hong Kong. Harry Winston is a world famous jeweller specializing in luxurious jewellery and jewellery watches. Ms LEE is a founder of Sport Max HK Co Limited and Hope Sport Association, providing the highest standard of qualified and professional coaching in sports. She is also an advisory board member of Phoenix Property Investors (H.K.) Limited, a private equity real estate investment group focusing on first tier pan-Asian markets.

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

Ms LEE is committed to community work. She is a lifetime founding benefactor of The Nature Conservancy, USA and is a founder of Sports for Hope Foundation, providing funding to highly-talented young underprivileged athletes who lack financial means to further their passion. Ms LEE obtained a Bachelor of Science in Biochemistry and Nutritional Sciences from Simmons College, Boston, United States. She is a cousin of Dr LOOK Guy, the Chief Financial Officer and Executive Director of the Company, and a daughter of Mrs LEE LOOK Ngan Kwan Christina, a Non-executive Director of the Company who retired in August 2012.



**Independent Non-Executive Director**

*Professor CHAN Yuk Shee\**, PhD, SBS, JP


Aged 60. Appointed as an Independent Non-executive Director and the Chairman of the Audit Committee of the Company in November 1999. Professor CHAN was President of the Lingnan University of Hong Kong and Vice President for Academic Affairs and the Founding Dean of the Business School of the Hong Kong University of Science and Technology. He obtained a PhD in Finance, as well as an MBA and MA in Economics from the University of California at Berkeley. He is a member of the Standing Committee on Judicial Salaries and Conditions of Service, the Advisory Committee on Post-service Employment of Civil Servants and the Supervisory Committee of the Tracker Fund of Hong Kong. Professor CHAN is also a Fellow of the Hong Kong Management Association.

*Dr LEUNG Kwok Fai Thomas\*<sup>#</sup>Δ*, PhD, BBS, JP

Aged 65. Appointed as an Independent Non-executive Director of the Company in January 2000 and is the Chairman of the Remuneration Committee. Dr LEUNG has over 30 years of experience in management consultancy and is an expert in business strategy, organization and leadership development. Dr LEUNG holds a PhD in Business Administration from the University of Illinois. He has been appointed to significant positions in many public organizations and committees by the Government of the HKSAR and was formerly Chief Executive – Asia for Hay Group, one of the world's leading management consulting firms.

*Ms TAM Wai Chu Maria\*<sup>#</sup>Δ*, GBM, JP

Aged 68. Appointed as an Independent Non-executive Director of the Company in June 2004 and is the Chairman of the Nomination Committee of the Company. Ms TAM is currently an Independent Non-executive Director of Guangnan (Holdings) Limited, Minmetals Land Limited, Nine Dragons Paper (Holdings) Limited, Sinopec Kantons Holdings Limited, Tong Ren Tang Technologies Company Limited, Wing On Company International Limited and Macau Legend Development Limited, all the shares of which are listed on the Stock Exchange. Ms TAM was educated at London University. She qualified as a barrister-at-law at Gray's Inn, London, and practised in Hong Kong. She was a member of the Preparatory Committee for the Hong Kong Special Administrative Region (PRC) and Hong Kong Affairs Advisor (PRC). She is a deputy to the National People's Congress of The People's Republic of China, a member of the Hong Kong Basic Law Committee, as well as a member of the Operations Review Committee and a member of the Panel of the Witness Protection Review Board of the Independent Commission Against Corruption. She is also a member of various community services organizations.



## Biographical Information of Directors and Senior Management

### *Ms KI Man Fung Leonie<sup>\*Δ</sup>, SBS, JP*

Aged 67. Appointed as an Independent Non-executive Director of the Company in December 2006. Ms KI is an Executive Director of New World Development Company Limited and an Independent Non-Executive Director of Clear Media Limited. Ms KI has more than 40 years of experience in integrated communication and marketing services. She was the founder, partner and Chairman/Chief Executive Officer of Grey Hong Kong Advertising Limited and Grey China Advertising Limited. Ms KI is committed to community and public services. She was the first Chief Executive of The Better Hong Kong Foundation. She is currently the Vice Chairman of the Societal Engagement Committee of the Commission on Poverty, and Chairman of The Bless Hong Kong Working Group. Ms KI is also a council member of UNICEF, the Honorary Secretary of Wu Zhi Qiao (Bridge to China) Charitable Foundation, a life member of the Children's Cancer Foundation, council member of The University of Hong Kong and a member of the Asian Advisory Board of Cheng Yu Tung Management Institute, Richard Ivey School of Business (University of Western Ontario, Canada). She has been a CPPCC member of Yunnan Province since 2002 and was appointed as National CPPCC member in 2013.

### *Mr TAN Wee Seng*

Aged 58. Appointed as a Non-executive Director of the Company on 11 March 2010 and was re-designated from a Non-executive Director to an Independent Non-executive Director on 26 June 2012. Mr TAN is a professional in value and business management consultancy. He is an Independent Director of ReneSola Ltd whose shares are listed on the New York Stock Exchange, a Non-executive Director of Xtep International Holdings Limited and an Independent Non-executive Director of Biostime International Holdings Limited and CIFI Holdings (Group) Co. Ltd., the shares of which are listed on the Main Board of the Stock Exchange. He is also a board member of Beijing City International School. Mr TAN was an Independent Director and Chairman of the Audit Committee of 7 Days Group Holdings Limited whose shares were listed on the New York Stock Exchange between November 2009 and July 2013 until it was privatized. He was the Chairman of the Special Committee for Privatization of 7 Days Group Holdings Limited from October 2012 to July 2013. Mr TAN has 36 years of financial, operation and business strategy as well as management experience and has also held various senior management positions in a number of multinational and Chinese corporations. From 2003 to 2008, he was an Executive Director, CFO and Company Secretary of Li Ning Company Limited, the shares of which are listed on the Main Board of the Stock Exchange. From 1999 to 2002, he was the Senior Vice President of Reuters for the China, Mongolia and North Korea regions, and the Chief Representative of Reuters in China. Mr TAN is a fellow member of the Chartered Institute of Management Accountants, United Kingdom, and a fellow member of the Hong Kong Institute of Directors.

## Senior Management

### *Mr LAW Kin Ming Peter*

#### *Senior Vice President, Category Management & Product Development*

Aged 58. Joined Sa Sa in January 1996, Mr LAW was appointed as Senior Vice President, Category Management and Product Development in January 2008. He has more than 32 years of experience in the field of sales and marketing, 22 of which were in senior management positions. He is also a Director of a subsidiary of the Group. Mr LAW oversees the Group's category management and product development function. He is also responsible for the Group's acquisition of exclusive distribution rights of international brands and the development of the Group's house brand products. He holds a Bachelor's degree in Arts majoring in Communications Studies from the University of Windsor, Ontario, Canada and pursued a Bachelor's degree in Commerce later. Mr LAW is the Honorary Advisor of the Cosmetic & Perfumery Association of Hong Kong. Mr LAW is the brother of Dr KWOK LAW Kwai Chun Eleanor and the brother-in-law of Dr KWOK Siu Ming Simon.

### *Dr LAW Tang Fai James*

#### *Senior Vice President (Taiwan, Singapore, Malaysia)*

Aged 54. Joined Sa Sa as Senior Vice President (Taiwan, Singapore, Malaysia) in March 2014. Dr LAW oversees the overall management of the business units in Taiwan, Singapore and Malaysia of the Group. He is also a director of a subsidiary of the Group. He has over 30 years of professional experience in the areas of general management, brand development and retail and marketing management. Before joining the Group, he has worked in various renowned companies, including Stelux Holdings International Limited, Pricerite Group Limited and Argos Retail Group, etc. Dr LAW graduated from The Hong Kong Polytechnic University with a Doctor Degree of Business Administration, University of Sterling with a Master Degree of Business Administration and Ottawa University with a Bachelor Degree of Business Administration.

### *Ms LU Szu Jen*

#### *Senior Vice President, Information Technology*

Aged 57. Joined Sa Sa as Senior Vice President of Information Technology in December 2004. She had held senior management positions with various multinational information technology corporations. Before joining Sa Sa, she was the Chief Technology Officer of Softbank Investment International (Strategic) Limited, a venture capital firm which focused on internet technology investment projects. Ms LU holds a Master of Science in Computer Science from the Johns Hopkins University, USA.



# Environmental, Social and Governance Report



*The fusion of Beauty with Love in Sa Sa's unique offering.*

*"From shimmering streams of love rippling out into the ocean of beauty;*

*Our stakeholders are revived through a journey of sustained and sustainable beauty"*



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## 1

### *Love of water, love of our stakeholders*

In this FY2013/14 ESG report, we set off on a journey exploring how our efforts in serving various stakeholders converge to realize their beauty and improve their well-being. In addition to the beauty of our shareholders, which is covered in depth in other sections of this Annual Report, we have identified four key stakeholders to report on here: our talent, our customers, our community and the natural environment experienced by our customers and the wider community.

Our stakeholders are never independent of each other. Our passionate commitment to one will ultimately feed into the well-being of the others. Our talents for example are an integral part of our community; and our communities of stakeholders and environment ultimately intermingle and interact to serve each other's wellbeing; in such our customers can never fully realize their true beauty in a natural environment that is being rapidly degraded. Not to put too fine a point on it, this form of interrelation ultimately converges, allowing beauty to flourish while improving the basic ingredients for our wellbeing. Such relationships can be described in the classical Chinese text 道德經: 「上善若水，水善利萬物而不爭」(Tao Te Ching: "the beauty of water lies in its ability to nurture others and not compete with them")



We are proud to have received a number of high profile recognition this year. Please refer to our "Awards and Recognition" section of the report relating to Corporate Social Responsibility.



Our love of water expresses our commitment to help each one of us through nurturing while not harming others in the process of growth. We regard it of utmost importance to work on this important philosophy so that beauty itself can be truly sustainable.



**Note:** Unless otherwise stated, this ESG Report covers our operations in Hong Kong and Macau only. Our Hong Kong and Macau operations represent the core of all Sa Sa operations, contributing over 80% of our group's turnover in FY2013/14

## 2

### *Loving our talent - Beauty wells up from the spring of wisdom*

As the heart of our business, our talents are the drivers that carry our aspirations and help our stakeholders to realize and sustain their beauty. Their combined wisdom enables us to deliver the many jewels of our beauty care.

#### **The glitter stars - our talents**

It has again been a rewarding year for our talents. We celebrated receiving a number of high profile awards for the qualities represented by our talents, and for delivering excellence straight from their heart:

#### *Outstanding QTS Merchant Service Staff Award*

✿ *Vivi So and Joanne Yeung*, two of our Assistant Shop Supervisor, represented Sa Sa this year to once again put our service philosophy, attitude and techniques into test. They have won us a gold and a silver award in the “Cosmetics, Personal Care Products and Specialty Store Category”, demonstrating their ability to deliver enlightening customer experience.



#### *Customer Service Excellence Award 2013*

✿ Hong Kong Association for Customer Service Excellence (HKACE) sets its mission to drive forward better quality service in the industry. We are honored that our new Tsing Yi store was recognized with a silver award for the counter service category.



#### *Hong Kong Retail Management Associations (HKRMA) - 2013 Mystery Shoppers' Programme and Service Courtesy Awards*

We are honored to be recognized in three high profile awards presented

by HKRMA this year. With La Colline being recognized as the **“Service Retailer of the Year”** under Beauty Products/Cosmetics Category for the 9th consecutive year and **“Excellence Award”** for the 2nd consecutive year. Our Assistant Shop Supervisor Yuki Chan have also secured us the **“Service and Courtesy Award”** under at the Supervisor Level category.

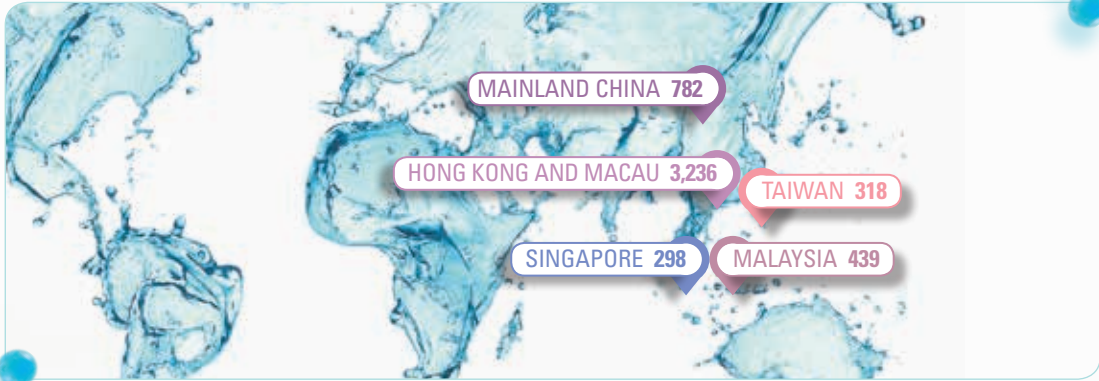


(See the **“Awards and Recognition”** section of the Annual Report for the complete list of awards)

## Who are we?

Sa Sa is physically present in six strategic markets in Asia Pacific, while sustaining a global reach to over 200 countries through our virtual store offerings. Sa Sa employs over 5,000 staff in total at group level (as at 31 March 2014).

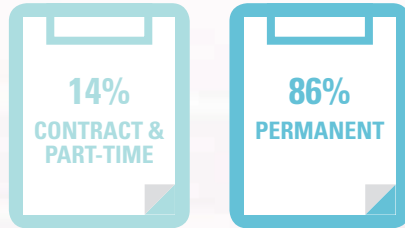
## Staff number in each region



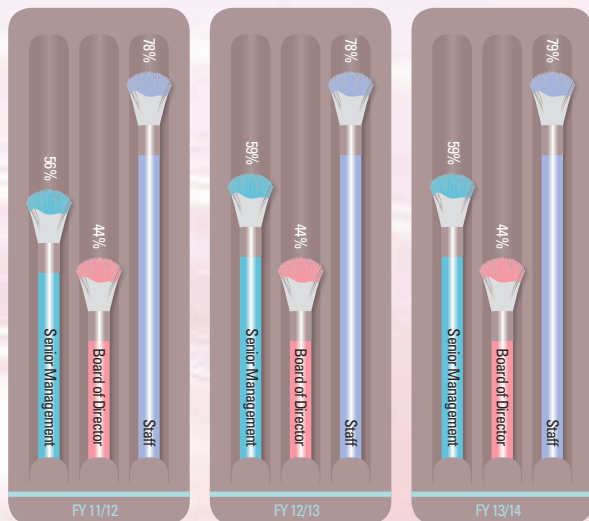
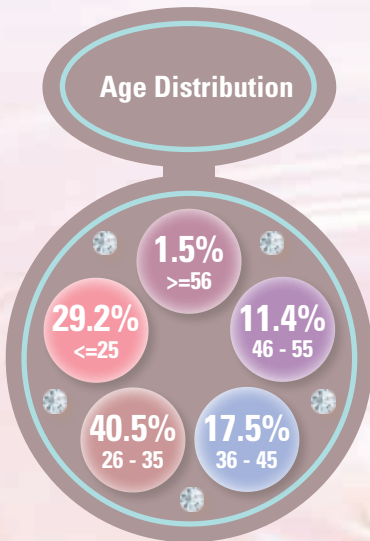
## Talent diversity, a part of our strategy

We are proud to be recognized by Community Business in March 2014 for the gender diversity of our Board of Directors, ranking second in the Hang Seng Composite Index (HSCI). This diverse Board and staff composition has benefited our aspiration for beauty, especially with a customer base that is predominately female.

## Employment contract type distribution



## Percentage of female composition



As part of our efforts to provide equal opportunities for employment in the market place, we have begun opening a number of positions to ethnic minorities'. We have also worked with a number of retraining and vocational training non-profits in recruitment, such as Po Leung Kuk, Hong Kong Confederation of Trade Unions and Evangelical Lutheran Church, enabling the wider community to be part of the Sa Sa family.

Although the actual number recruited initially is small compared to our overall staff roll, we hope our continued efforts will help drive greater long-term equality and harmony in the community.



*“We believe our “Making Life Beautiful” aspirations can only be achieved if we hire the best talent and properly leverage their talents to fully realize their ultimate potential.”*

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



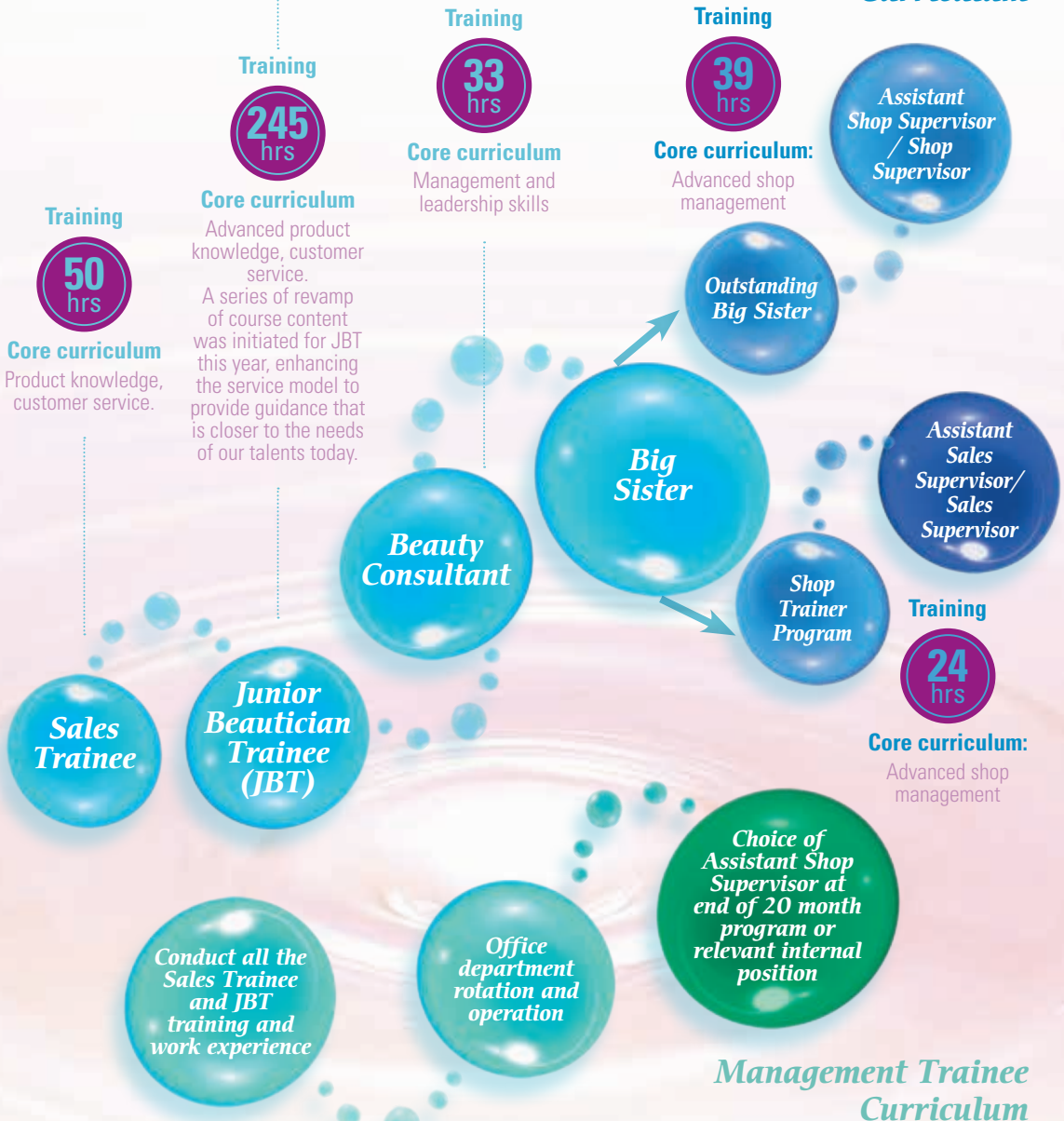
## 2.1 Cultivating our seeds of wisdom



JBT Graduation Ceremony 2014

To enable our talents to develop themselves to their fullest potential and to provide them with the skill sets to deliver the best customer experience, a comprehensive development framework has been established incorporating career progression, curriculum and the duration and timing of training. The curriculum covers key skills and knowledge areas required by their role, such as product knowledge, customer service, leadership and management skills.

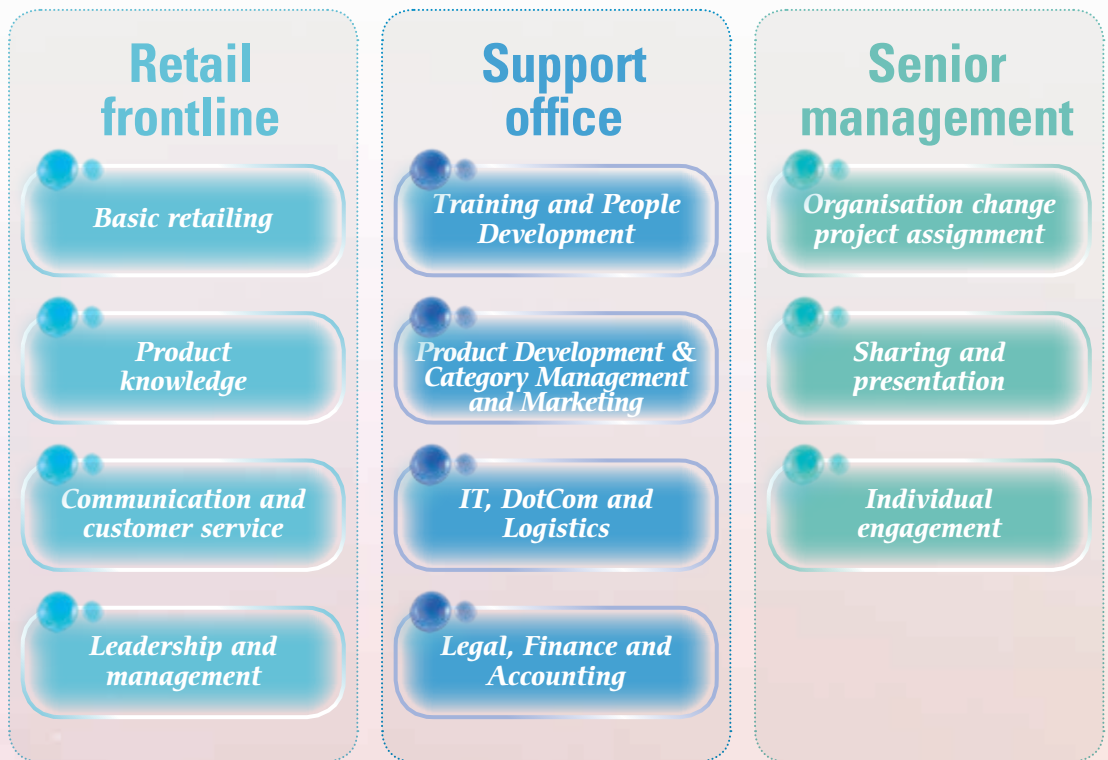
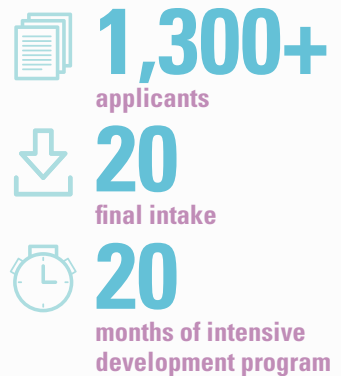
### Regular Frontline Staff Curriculum



**Management Trainee (MT) Program – The route to self realization and a world of opportunities**

To enable some of the best talents in the market to grow at a rapid pace with our organization, our 13th round Sa Sa Management Trainee program is designed to provide talents with 360 degrees exposure to what Sa Sa really is, gearing them up to fulfill the growing need for leaders in all parts of the organization.

The MT program consists of structured courses, job rotation, project assignment at frontline and back office, as well as interaction opportunities with senior management. The final destiny of MT is at their own choice.



Key aspects of Sa Sa Management Trainee Program

**A management trainee view of Talent**

It is part of the Management Trainee’s role to help our organization to reflect upon ourselves, enable us to see who we are and areas that we could improve on:

**The “Joy at Sa Sa Fun Fun Fun” program was great, an opportunity to exchange insights with our experienced supervisor”.**  
*Samatha Yim, Batch 12<sup>th</sup> Management Trainee*

**“The exposure of MT has extraordinary traction, enabling MTs to extensively contribute to all major Sa Sa events, such as Ladies Purse Day.”**  
*Ruby Fong, Batch 12<sup>th</sup> Management Trainee*



Change management workshop

## Leadership development – Enhancing our core

Compared with five years ago, the Sa Sa headcount has almost doubled. This means the demand for leadership in various part of the workplace has become increasingly critical to our continued organic growth.



Leadership development workshop

Recognizing the inherent leadership capabilities of our staff, we have delivered two series of special leadership top-up workshop this year. These are aimed at reinforcing our core team’s readiness to drive and deliver much needed organizational change.

## Key contents of the two leadership workshops

### Change management workshop

Big sisters,  
Shop trainers,  
Outstanding big sisters

Attaining goal  
Being a change agent  
Operation planning

Leadership Collaboration

Motivating team  
Creative thinking  
Strategic planning

### Leadership development workshop

Supervisor and Shop Supervisor

## Wisdom accumulated through the knowledge base of our loyal talents

“A moment that is full of tears of joy” is probably the best description of our Long Service Award Ceremony. We were thrilled to recognize more than 218 colleagues at our 5, 10, 15, 20 and 25 years service ceremony. We were able to celebrate their loyalty and the story that they have developed with Sa Sa, when they were greeted personally by our Chairman and Vice Chairman.



Left: Long service award recipient with colleagues at Annual Dinner

Right: A group of long service award recipients with Chairman and Vice Chairman



## 2.2

### *Retaining our best talents through inner harmony*

The beauty of spring comes from its ability to harmonize with its surroundings, supporting and energizing the growth of other life forms. We recognize that a 21st century workplace has to go beyond being just a place of work. In order to retain top talent in the market, a number of initiatives were undertaken during the year to enhance workplace harmony and support for growth.

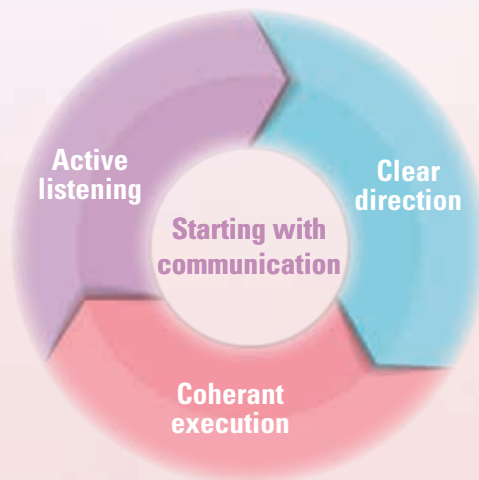
#### Listening with their heart

Our management seeks feedback from staff in many forms:

- **Management Trainee feedback workshop:** Every year our graduating MTs provide an extra channel of insights for senior management; sharing their observations and improvement suggestions in a workshop
- **Regular supervisor meeting and shop night meetings:** To encourage more dynamic conversations between frontline colleagues and management, regular sessions continue to be held with supervisors and shop staff

#### Clear direction

- **Board and Board Committee meetings:** A total of 27 Board of Directors and Board Committee meetings were held this year, ensuring that key strategic issues were addressed at the highest level in a structured manner (see *Corporate Governance* section of the report for details)
- **Senior management meetings:** Held on a monthly basis to ensure continuous alignment of operations to contribute organization level strategic priorities
- **Direction setting meeting:** A half day workshop involving all management and senior management colleagues, with the purpose of clearly communicating the opportunities and challenges that are part of our business landscape



#### Coherent execution:

One challenging aspect to collaboration is the commitment of talents and other resources to support project execution:

- **Grand breakfast meeting:** A podium that involves over 2000 colleagues in a half day session, to share key strategic focuses for the coming year
- **Objective meeting:** Held bi-annually for departments to share key challenges and solutions



Grand breakfast meeting

## The joy of Sa Sa Team

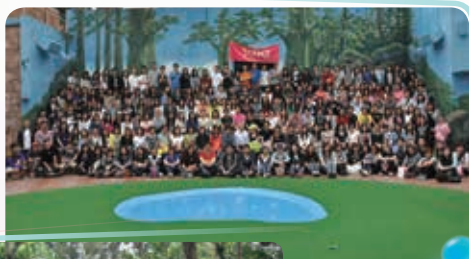
Through a number of team building, leisure and family events, Sa Sa has celebrated as one family what we have achieved and embraced what's ahead of us.

### 2013

#### ● April & May

##### Ocean Park Team Building Fun Day

To strengthen cross department communication, two teambuilding Fun Days were held in Ocean Park this year, where our colleagues were set off not only to explore Ocean Park, but also to explore the strength of our team work.



#### ● June

##### Cooking Class

A series of cooking class were organized to enable our colleagues to develop their interest and talents outside of the office.



### 2014

#### ● December

##### Xmas performance

Our annual Christmas event is a special day where different departments compete against each other with their stage talent, through various singing and drama show.



#### ● February

##### Blossom of Beauty – Lunar New Year Fireworks Extravaganza 2014

Sa Sa was the proud sponsor of the Lunar New Year Fireworks Extravaganza this year, with the hope to create greater positive energy and good fortune for Hong Kong. Staff members and their families were invited to join the celebration dinner that was hosted for the event.



## ● July

### Movie Night

Nearly 600 colleagues and their friends and families enjoyed a fabulous night watching the Monsters University screening.



## ● August

### Wallet making class

A total of 5 workshops were held where all the participants have successfully turned themselves into a skilled leather craftsman at the end, each producing and bringing home their own master piece at the end.



## ● October

### Kadoorie Farm Green Tour

Over 170 colleagues and their families explored the Kadoorie Farm, Lau Fau Shan and Kam Tin Country Club together in an Autumn family green outing that's signature to our annual family event.



## ● March

### Valentine macaroon making class

A series of macaroon making classes were organized for our colleagues to show their love to their important partners on 14 February.



### "Escape Hong Kong" Reality Game

A series of problem solving simulation games were organized for our colleagues to test their talent in problem solving to escape from a confined indoor maze.



### "Water of Love" Annual dinner 2014

Our annual dinner is one important occasion where we celebrate our achievements with the group.



### 2.3

#### *Keeping our talents refreshed and safe*

##### **Salary and compensation**

We believe in the importance of recognizing employees' accomplishments, and thus we have many different, but equally valuable ways of rewarding our talents. To enable our talents to start their journey of beauty smoothly with Sa Sa, a comprehensive Employee Handbook is shared with them on their welcome day, containing an outline of key benefits and compensation for staff. Our remuneration packages are reviewed regularly and multiple incentives and rewards are granted to motivate and recognize our colleagues. As part of the performance management system, Key Performance Indicators (KPI's) are adopted to ensure that the requisite directions and standards are set and met. There are many performance incentives for our employees, with discretionary bonus, sales bonus, sales commissions and share options being offered to reward good performance. The total employee benefit expenses of the Group amounted to HK\$1.1b for the fiscal year.

##### **Health and safety**

Ensuring compliance with the required health, safety and labour standards is very important to Sa Sa.

- A dedicated Health and Safety (H&S) Committee has been set up to address H&S issues, headed by the head of Human Resources with members from various other departments
- A Series of workshops is provided to enhance staff awareness about relevant health and safety issues, including:
  - Guidance on manual handling operations and prevention of back injuries
  - Prevention of Musculoskeletal Disorders for Office Workers
  - Occupational Health for Office Workers

##### **Fatality and work injury**

- Work related injuries are being constantly monitored by the H&S Committee
- A module on avoiding workplace injury has been included in staff induction
- There were no cases of fatality due to workplace accidents in 2013/14
- There were 32 cases of work related injuries in 2013/14, representing a 22.6% decrease in work related injuries per staff member
- An average of 0.25 days of sick leave were taken by our staff members per month

##### **Employment practice, anti-bribery and whistle blowing**

- Sa Sa complies with local employment regulations at all locations of operations
- Forced or child labour is not a significant concern for the beauty and cosmetic industry. Sa Sa is not engaged in any forced or child labour
- To bring our operations in line with our organization's commitment to the highest possible standards of openness, probity and accountability, a number of policies are set in place and shared among our staff. These include our Whistle-blowing Policy, Gifts and Entertainment Policy, Equal Opportunities Policy and Guideline on Prevention of Bribery Ordinance

### 3

## *Loving our customers – Serving beauty with passion*



Our passion to deliver an enlightening customer experience in a consistent manner is a tremendous task, especially for a Group that is made up of over 280 stores, with 17,000 products, served by over 5,000 people.

Our 36 years of history and dedication to delivering on our Making Life Beautiful aspirations has allowed us to gain the wisdom to act consistently with our ethical beliefs and with passion. We aim to provide seamless connectivity between the various stages of the product delivery process, right from the very start of learning about our customers' needs', to sourcing the best products from around the world, to ensuring product safety, and delivering to our customers through our highly motivated beauty consultants. We also aim to provide a post-sales service that is receptive to every single one of our customer's feedback comments.

### 3.1

#### *What does beauty mean to you?*

Technology, culture, climate and individual life style preferences have driven the evolution of beauty over the past 36 years. For our part we have committed to being sensitive and responsive to such changes, and a number of mechanisms are in place to act on these commitments. These include:

- Regular frontline debrief on customer feedback
- Customer focus group
- Shop survey
- VIP Survey
- Customer feedback form and hotline
- Social media such as Facebook, Sina Weibo, WeChat, Meilishuo, Instagram

## 3.2

### Bringing the best from around the world

Enhancing beauty is the passionate desire of all our customers. To fulfill such elemental needs, we have scouted the world and sourced over 17,000 products. We treat each one of our customers as a unique customer. Product diversity is necessary for meeting a diverse base of customers so that every solution is tailored to each of our customers' skin type, age and life style.

"Simplicity is the ultimate sophistication" said Steve Jobs with his usual unerring precision.

#### Serving customers' aspiration through global sourcing

### Switzerland 17%

La Colline La Estephe Methode SWISS  
 SUISSSE PROGRAMME SWISS BALANCE SWISS Rituel TRANSVITAL  
 La Prairie Valmont Skincode

### France 23%

CAUDALIE INSTITUT ESTHEDERM JAGUAR PALMISTE MARINA DE BOURBON NUXE  
 Chanel Clarins Christian Dior Lancome L'Oreal

### Rest of Europe 10%

Gianfranco FERRE profumi Salvatore Ferragamo  
 Ferrari TOUS TRUSSARDI  
 Gucci Bvlgari Giorgio Armani  
 Versace Burberry Crabtree & Evelyn

### Japan/Korea 23%

banila co. BEYOND BRTCOTR  
 CYBER COLORS 肌つ子 Dr.G  
 Dr.Jart+ Doctor Makes The Difference sasatinnie soo Beauté  
 SKII Shiseido Laneige

### Rest of Asia 6%

b·liv by celineque Neogence 霓淨思  
 For Beloved One

### America 19%

Elizabeth Arden Ed Hardy FRAGRANCE GoodSkin Labs  
 GUESS PERRY ELLIS  
 Clinique Estee Lauder La Mer  
 Maybelline Revlon

### Oceania 2%

NATIO  
 Lanocrème since 1959

### Other 1%

IN ESSENCE  
 by theathersonly

#### Notes:

- Figures in percentage indicate breakdown of origin of brands sold in Hong Kong and Macau in 2013/14. Figure may not add up to 100% due to rounding
- Brands displayed in each region/country are not exhaustive
- Origin of brands is based on general customers' perception on the origination of the respective brands which may be subject to factors including location of manufacturers or brand owner's headquarters, brand image and style of product design

## Early catch on the Korean wave

Customer desire for Korean products has been on a rising trend for the last 2-3 years, as the Korean wave continues to gather strength and to build on South Korea's enviable reputation for cutting edge creativity in arts and music, fashion know-how, and designer elegance. To align with our customer preferences, we have stocked some of the most advanced Korean brands since 2004, such as **Dr G.** and **Beyond.** The introduction of **banila co.** from Korea as part of our House Brand offerings during the year underlines our commitment to rapid aligning our product mix to meet changing customer needs.

Dr.G

banila co.

BEYOND

CAUDALIE

NUXE

BEYOND

ORCHID  
From Paradise

NATIO

## The desire for a greener and more natural touch to beauty

We recognize the increasing desire of our customers to find beauty solutions in a more natural and eco-friendly manner. As stated in the "UEBT Biodiversity Barometer 2013 Report" that surveyed over 31,000 individuals in Asia Pacific, 95% of the respondents from developing countries such as China have indicated that they will not support cosmetic brands that are found to be socially irresponsible.

Sa Sa is proud to house a selection of green and natural products, although each product may have a different degree and perspective of commitment on sustainability. It is part of our strategy to increase these types of product in our product mix over time, as we strengthen the integration of a rigorous sustainability strategy into our supply chain to align with the needs of our customers and our environment.

## 3.3

### Beauty, yes assured

Product safety is fundamental to what we offer to our customers. Over 90% of our brands are primarily sourced from countries and regions that have the most rigorous product testing regulations and requirements, such as the European Union, America, Japan and South Korea. This careful sourcing is combined with our own internal testing protocol of products before launching. There was no reported case of product safety or product recall during the year.

#### Supply chain

As the product shipment arrives in our warehouses from around the world, comprehensive checks and tests are conducted to ensure that only authentic and quality products are offered to our customers. This informed oversight is followed through with digital tracking of all of our stock as part of our integrated SAP Management system.

It is also our passionate commitment to ensure only products with at least six months of validity stay on the shelves (except for food and pharmaceutical product due to their nature, which we would require minimum product life ranging from 1-4 months), giving our customers peace of mind and a strong feeling of quality assurance when shopping with us. Products with a shorter shelf life will either be relocated to our outlet stores, or sold only when bearing explicit marking that indicates a short product life.

#### Advertising

The amendment to the Trade Descriptions Ordinance (TDO) came into effect on 19 July 2013. We welcome the stricter regulation it introduced to protect consumers against commonly seen unfair trade practices in consumer transactions. Sa Sa was actively involved in consultation sessions and meetings held by the Customs and Excise Department, and worked with the Cosmetic & Perfumery Association of Hong Kong and Hong Kong Retail Management Association to assist the industry with understanding and implementation. Recently, we have also taken strong steps to tighten our internal control measures by bringing our own internal marketing policy and processes in line with TDO, including the review of various price tags and of the marketing terminology involved.

### 3.4

#### *A service offering from our heart*

In our service training, an important module that all our frontline colleagues must undergo is how to offer “service from the heart”. We believe that it is not only transactions that our beauty consultants need to manage, but above all the shopping experience and long term customer relationship.

*“Our product recommendation must come from our heart based on actual need of the customer, through asking the right questions and listening with care.”*

*“Whilst we recognize that every customer is unique and different, the excellent service attitude from us shall always be consistent and without discrimination.”*



Selection of tips offered at service training

**Model shop launch:** Leveraging on our brand-new Sa Sa Supreme concept store in Causeway Bay as a testing point, a number of new service models were developed and documented. This enables a market wide rollout of service enhancement, raising the standard across all the shops in Hong Kong and Macau.

### 3.5

#### *Quality experience, guaranteed*

To ensure our customers are ultimately satisfied with their purchases, Sa Sa’s operation in Hong Kong and Macau is voluntarily committed to a 30 days purchase guarantee, thereby ensuring that our customers are 100% satisfied.

A well defined customer feedback protocol has also been established, so that our operations centre can respond to product quality, safety or service quality issues in the most appropriate manner. Members of Senior Management are involved in this process, so that any incident will be attended to diligently, attentively and on a timely basis. We believe that the safety and satisfaction of our customers should not be compromised in any circumstances.

There was not a single reported case of an unsafe product in 2013/14. All customer compliments or complaints are systematically logged and handled according to clearly written policies and procedures. In our Hong Kong and Macau operations, a total of 3,672 customer compliments and 163 customer complaints were reported over the past fiscal year. The customer compliment to complaint ratio was 23:1, a huge 85% improvement over last year and a reflection of our continued commitment to enhancing our service quality.

A series of steps have been taken this year towards accrediting various strategic elements of our operation with the ISO9001:2008 standard (See our Enterprise Risk Management Report for details), with our online operation having been successfully accredited during the year. Such certification will ultimately enable us to consistently serve our customer aspirations with efficiency and effectiveness on a sustained basis.

We comply with the latest Personal Data (Privacy) Ordinance, ensuring the customer information we receive is only used for its intended purpose.



## 4

### *Loving our community - Beauty as reflected in the fountain of giving*

Sa Sa is an integral part of the close-knit Hong Kong community. That's our origin, that's where we will always belong. Although each and every individual element is insignificant and can seemingly contribute little, together they form the essential lifeblood of our community – just as the great Yangzi River is in reality the amalgamation of thousands of little streams of water.

Whilst providing employment opportunities and driving local economic prosperity are important contributions that we make to society (see the Talent section), we also recognize the increasingly complex societal challenge that our community faces, particularly in areas of youth and education, social welfare and health care. We are far from isolated from these problems.

With the launch of Sa Sa Making Life Beautiful Charity Fund in March 2013, we are making progress in refining the process of how we contribute towards the community: from assessing, serving and tracking to reporting how we support various initiatives that address fundamental societal issues. We see our talents being ever more engaged in community initiatives through our "Sa Sa Sincere" volunteering team.



Pursuant to the Articles of Association of the Company, the dividends unclaimed after having been declared by the Company (from 10 November 1997 to 28 June 2007) have been forfeited and is reverted to the Company for charity purposes. An announcement regarding the arrangement of the said forfeiture has been published on 21 October 2013 on Hong Kong Stock Exchange. The forfeited dividends amounted to HK\$5,176,000.

Societal transformation is happening everyday regardless of who may hope to regulate or direct it, and we hope that our active participation in the society will ultimately bring beauty and positive transformation. So much more can be done in this sphere.

## 4.1

### *A structural view of our bridge to the community*

The launch of the Sa Sa Making Life Beautiful Charity Fund (SSMLBCF) last year was a further step forward in enabling our organization to enhance our positive impact on society, through greater focus in charity assessment and more coherent collaboration between the various departments that are involved in driving our community strategy. In addition to the meaningful programmes we delivered, we also launched a number of initiatives to help reinforce our ability to support the community.

#### **Establish of a SSMLBCF Council**

As a supporting framework for the work of SSMLBCF, a Council was setup to provide strategic direction, monitoring and execution roles to the work of the Charity Fund.

#### **Charity assessment**

Due to the vast number of charities seeking supporting from Sa Sa on a daily basis, we have initiated a process to review the handling of these charities, with the aim of establishing a more efficient and consistent framework for our charity evaluation and support mechanism.

#### **Encouraging staff participation**

As one further step in the "Sa Sa Sincere" volunteer team programme established last year, a recognition protocol was established to thank individuals that have helped Sa Sa in driving forward our socially responsible culture by contributing their time to multiple programmes during the year.



## 4.2

### *Walking alongside our community*

We believe the character of “empathy” is one that makes us complete. Empathy is something that could often be lost in a commercial world where daily life is measured by numbers, whether they be sales or gross profit margins. We recognize the beauty of love is its essential humanity, and through our involvement in community initiatives we serve not only those in need, but also nurture our inner beauty of love and humanity.

#### **Leading and contributing beauty to our community**

All our Executive Directors are actively involved in the community and as such set an outstanding example for the rest of the organization. Amidst their numerous involvements, two of their most community relevant public appointments are highlighted below. Please see “Biographical information of Directors and Senior Management” Section for the complete list.



*“As committed corporate citizens, it is important that we give back to the community from which we too benefit, especially to the ones that are less fortunate.”*

**Dr Kwok Siu Ming Simon, BBS, JP,**  
*Chairman and Chief Executive Officer*

- **The Community Chest Hong Kong:**  
First Vice President (2014-15)  
of Board of Directors,  
Chairman of Executive Committee  
(2014-15)
- **Hong Kong AIDS Foundation:**  
Executive Board Member (2006-15)



*“It is a pleasure to serve the community, and I believe all our Sa Sa team feels the same”*

**Dr Kwok Law Kwai Chun Eleanor, BBS**

*Chairman of Sa Sa Making Life Beautiful Charity Fund*

- Vice-chairman (2012-15) of the Board of Directors for **Po Leung Kuk**
- Vice President (2012-14) of **Hong Kong Girl Guides Association**



At Po Leung Kuk at Beauty of Our Future Project



Dr Look supporting World Green Organisation (WGO) Event \*(See Environmental Section of the ESG report for other Sa Sa sustainability commitment)

**Dr Guy Look,**

*Chief Financial Officer and Executive Director*

- **HKSAR Environmental Protection Department:**  
Energy Advisory Committee (2012-2014)
- **Hong Kong Green Building Council Certification Scheme:**  
Appeal Panel (2013-2015)

*“Our community, our planet, and us – we are all interconnected. Many are suffering from environmental problems already, action needs to be taken in many spheres, and it should all have started yesterday!”*

### **Serving to learn – the beauty of the “Sa Sa Sincere Volunteering Team”**

Many see volunteering as a gesture of gift-giving. Indeed in many volunteering events organized during the year, our Sa Sa volunteers felt gifted with the great joy of helping others. Whether it be youth service, elderly service or ethnic minority service, the beauty resides in service that is offered from both the heart and soul of the server and exchanged with the receiver.

*“A little shared love can be profound love to many, forming their endless happiness... Like a stream is made up of water droplets... Sand grains make a gorgeous pyramid...”*

*Fragrance lingers on my hands upon giving out the beautiful roses... The wonderful smiles on the kids’ faces on that day will always stay in my mind...*

*Am I the just giver of joy? Or am I the receiver? Or am I both?”*

**Tiffany Cheung, Corporate Communication and Investor Relations Director**

## Sa Sa x Po Leung Kuk “Beauty of Our Future” Project

Launched on the inception of the Sa Sa Making Life Beautiful Charity Fund, this two year programme aims to leverage art and beauty to help our youth to enhance the beauty of their inner self-esteem.

Adopting the philosophy of “以生命影響生命” (using one’s life to affect the lives of others), the first of our two years of partnership involved working with a group of young people from the “Po Leung Kuk Children and Youth Development Centre” to deliver three core project pillars:

### Part 1: Collective reflection through interactive drama

An interactive drama production was created based on the true story of our disadvantaged youth. With the drama named “Post-90s”, the story stimulated reflection on the part of both the actors and audience on how to overcome the tragic disconnect between today’s youth and their parents.



Audiences are invited to be one of the actors, to participate in the play where they believe they could help better resolve the family conflict in the act



Sa Sa Makeup artist team works closely with youth on costume and makeup design

**‘If an egg is broken through from the outside, it is food;**

**But if the shell is broken from the inside, it becomes life.**

**The same applies to our lives;**

**If we collapse because we are affected by the outside world, then it is called pressure;**

**But if we are driven by self motivation, then we will have truly grown up.’**

**(Content that’s shared in a youth workshop, original quote in Chinese)**



### Part 2: Life coach buddy system

Sa Sa mentors are partnered with youths, the mentors volunteer their time and share their life stories to help young people with self discovery, goal setting and to reframe their minds to overcome future challenges



### *Part 3: Learning, serving and learning again*

Integrating our annual elderly home visit programme with Po Leung Kuk "Beauty of our Future" Project, Sa Sa colleagues act as an intermediary, leveraging the talents of the youth group alongside them to serve the needy elderly in the Yau Tsim Mong District.

Over 70 households have been visited this year by the youth group and Sa Sa volunteers.

*"I don't think the elderly that we have visited actually have much materialistic needs. Care is more important for them than anything else. The event served to remind us to care for the elderly within our families as well."*

**Anita (Acting Supervisor)**

*"The elderly just loved talking to us. We only took a very small gift with us, but they were so grateful and we were overwhelmed. I think it was more about our gesture of care. Our rewards? The smile sums it all up."*

**Ada (Assistant Human Resource Officer)**



**The beauty of empowerment of ethnic minority – “We Love Runway”**

Sa Sa was a proud sponsor and supporting organization for “We Love Runway” fundraising catwalk show this year, co-organized by Cosmetic & Perfumery Association of Hong Kong and JCI Hong Kong Jayceettes. The project provides a stage opportunity for ethnic minority youth whilst fundraised for the Office of the UN High Commissioner for Refugees.

*“I believe in equality in all races, gender and built. They are all gorgeous, both in the way they look and in the way that they stood up, not for themselves, but to fundraise the others in need!”*

**Ms Melody Kwok-Chan,**  
Vice Chairman of Sa Sa Making Life Beautiful Charity Fund



**“Promoting “Happy Organization Label Scheme (HOLS)”**

Sa Sa took part in the Happy Organization Label Scheme (HOLS) this year, with the purpose to promote healthier working environment through various workshop and volunteering opportunities.



Working with low income families on healthy diet workshop



Chinese New Year outing with single-parent families at a local farm fun day

### Fundraising, fun racing!

Sa Sa supported a number of charity races during the year. Not only did the events raised funds for the NGOs, but they also provided bonding opportunities across different Sa Sa departments and talents, connecting charity and team building opportunities in one initiative.

### BOC Community Chest Cycle for a Million



To support and raise fund for the Children and Youth program of Community Chest, Sa Sa took part in its inaugural cycling race this year by racing across the Eagle's Nest Tunnel.

### Race to Feed 2013 – Heifer International



Supporting Heifer International for the 6th consecutive year as the corporate sponsor and participated as one of the racing team. Our team was able to secure 3rd prize overall for with the race also!

### Race with Pink Heels - for Hong Kong Hereditary Breast Cancer Family Registry

Sa Sa Sponsored and took part in the race with Pink Heels this year to support awareness raising and screening of hereditary breast and ovarian cancer, and we were successful in securing runner's up at its corporate relay race, along with the best costume award.



### Po Leung Kuk Charity Walk cum Carnival

Sa Sa have once again sponsored this year Charity Walk to support Po Leung Kuk cross-spectrum of community services, such as adoption, education, recreation and cultural development, with over 90 volunteers from Sa Sa taken part in the walk.



## 4.3

### *Being the fountain of care*

Apart from our direct involvement with many charity events during year, we have also “streamed” (guided) some of our resources to provide direct support to various meaningful charity projects. A total of \$3.01m was contributed by the Sa Sa Making Life Beautiful Fund, and a total of \$2.98m by Sa Sa Cosmetic Company Ltd in cash and various product donations that helped to enrich highly impactful events. A selection of the programmes we supported is highlighted below. Our support is mainly spread across the four main causes of Youth and Education, social welfare and public health, culture and sports and women in society.

 **Cash Donation or Sponsorship**

 **Gift of product**

 **Volunteering and staff involvement**

#### Youth and education

-  **Hong Kong University of Science and Technology (HKUST):** Donation to HKUST to support the development of biomedical equipment that provide greater support to patient suffering from stroke
-  **Fu Hui Education Foundation:** To support education program in China through sponsoring its 2013 Fundraising dinner
-  **Food for Good:** Sponsoring of five schools on food waste reduction and recycling program
-  **Love Your Neighbour:** Provide product sponsor to its Coco School program, enhancing education, physical and psychological support for the underprivileged kids

#### Social welfare and public health

-  **Hong Kong AIDS Foundation:** Sponsor of its April flag sales campaign and December charity dinner in support for its work in prevention and care for HIV patient
-  **Community Chest:** Corporate Sponsorship for Community for the Chest Television Show 2013
-    **Heifer International Hong Kong:** Corporate sponsorship to Heifer Race to Feed 2013, participate at the charity race and provide product sponsor to its charity dinner
-  **Hong Kong Parkinson’s Disease Foundation:** Silver sponsor to “Tai Chi for Parkinson’s” event, raising fund to provide better support to the patients in need



### Women in society

- 

**The Hong Kong Girl Guides Association:** Sponsorship and product donation for various events (such as fundraising dinner and charity concert) to enable women in all age to develop their fullest potential
- 
**Hong Kong Federation of Women (HKFW):** Support the advocacy of women's right through donation of products in a number of HKFW events
- 
**Breast Cancer Foundation:** Provide product donation to its event in supporting the cause of eradicating breast cancer

### Sports, culture and religion

- 
**Tsuen Wan Football Association:** Sponsorship in support of local athletic culture
- 
**Riding for the Disabled Association Ltd (RDA):** Sponsoring RDA Charity Ball 2014 to empower disabled individuals with horse riding opportunities
- 

**Hong Kong Federation of Overseas Chinese Youth Committee:** Sponsoring "May 4th Youth Musical Festival" to provide platform to to inspire young artist whilst paying respect for Nationalism
- 
**PMA Music Foundation:** Sponsor of the "Unstoppable Hope: Nick Vujicic and friends in concert" – to give hope to the needy through the power music, such as children that are disable or mentally handicapped

## 5

### *Loving our environment - Exploring the green way, a passport to true beauty*

The subject of sustainability has gone far beyond an attractive slogan to use. It has become an increasingly important issue for our customer, talents, shareholders, government and the general public.

In this second year that the ESG Taskforce is in operation, much has been accomplished in reinforcing the priority of enhancing the sustainability aspect of how Sa Sa operates.

We recognize that we need to speed up our work, with stronger commitment and actions on sustainability within our operation. Our challenge is what's lying ahead of us, as we further plan to integrate the sustainability agenda into our supply chain and across all regions we operate in.



*In Hong Kong, in a report published by SCMP on 15 Jan 2013, it was estimated that over 3,000 people died prematurely due to air pollution related illness in 2012 alone. Vehicle emission and coal fire power plants are the primary contributors to air pollution in Hong Kong.*

*The tragic Malaysian Airline MH370 incident that caused the disappearance of 239 passengers made headlines in most newspapers around the world. With so much attention on these either blamed and/or held responsible, the loss of 3,000 lives doesn't seem to be drawing the same attention.*

*Environmental catastrophe is already upon us. Who should be held responsible for this?  
(A case study shared in one of Sa Sa's internal workshops)*

*"We can no longer just pay lip-service and live with disregard to the environment that supports us. The environment so vital to our survival cannot be sustained under current circumstances. Tangible changes are needed in every organization, to integrate sustainability right into the core values and processes of how organizations operate. It is a tremendous task, but one that needs to happen right away!"*

**Dr Guy Look,**  
Chief Financial Officer and Executive Director



## 5.1

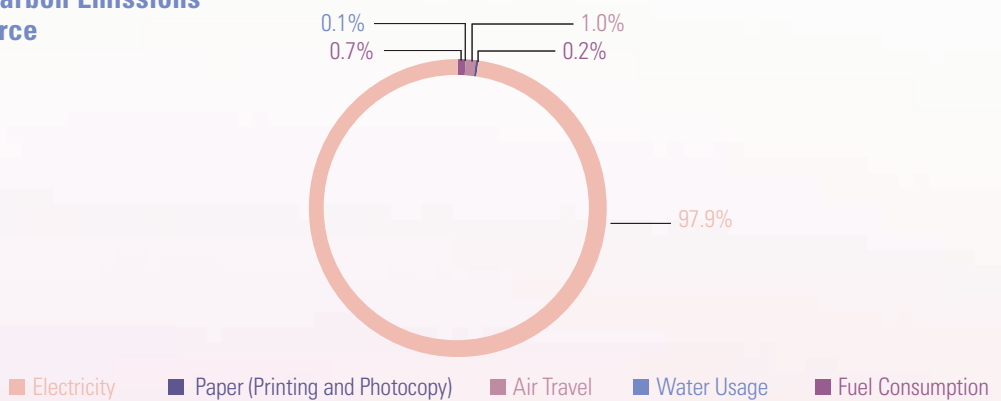
### Recognizing our footprint

Through the continuous monitoring and disclosure of our footprint, we hope to better learn and share the impact that we have, to be accountable for it and over time, to reduce the intensity of our negative impact in absolute terms in the long run.






#### Our footprint at a glance:

	FY2013-14	FY2012-13	Percentage change
Total (Tons CO <sub>2</sub> e)	20,053	19,381	+ 3.5%
Intensity (Tons CO <sub>2</sub> e / \$HK1m revenue)	2.8	3.2	-11.4%

#### Total Carbon Emissions by Source



#### Our activities in detail

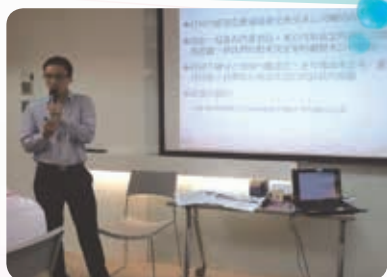
	Electricity 	Paper (printing & photocopy) 	Air Travel 	Water Usage 	Company Vehicle fuel consumption 
Carbon intensity (Tons/\$1m revenue):	2.8	0.006	0.029	0.003	0.020
• FY2013/14	3.1	0.007	0.033	0.003	0.021
• FY2012/13	-11.4%	-13.4%	-11.5%	+2.9%	-4.3%
• Percentage change					
Activity volume (units):	(kWh/sqm gross floor area)	(Pcs/headcount)	(km/headcount)	(Cu.m/sqm gross floor area)	(Litre/sqm gross floor area)
• FY2013/14	513	2,652	425	0.71	1.01
• FY2012/13	516	2,855	503	0.62	0.94
• Percentage change	-0.6%	-7.1%	-15.6%	+15.6%	+7.4%

\*The above data covers for emissions in Hong Kong and Macau, Shop, Office and Logistic operations only. The coverage for logistic centre and commercial vehicle emission are new KPIs that has been added this year. Disclosure will expand to our operations beyond Hong Kong and Macau in our annual report next year.

## 5.2

### *Engaging today, for a better tomorrow*

In an organization consisting of over 5,000 people, driving green change requires more than a simple “top down approach”. For a green culture to really flourish organically in all aspects of our operations, individuals must recognize both the issues we confront and the solutions that they could bring.



### New hire induction

- Since October 2013, an environmental section has been incorporated in all Management Trainee and all new hire induction program
- Over 300 colleagues have gone through the program since inception



### Green talks

- A series of talks were provided to our colleagues during the year
- Green Monday and CLP were amongst the speakers
- Vegetarian green lunch was provided as part of the green lifestyle experience



Green Monday event with office colleagues



Green Monday event with shop supervisors

## Green event

- Supported Greener Actions with it's Red Pocket collection 2014, receiving over 11,000 from our office and logistic collection points alone, stored and to be removed
- Participated in WWF Earth Hour 2014, through the circulation of green education to all colleagues prior to the evening
- Collected unwanted computer and laptop from staff for recycling



## Other communication channels

- Regular newsletter circulation to highlight various environmental issue and ways to reduce our negative impact



**Framing strategy:** In our staff engagement campaign, we frame our message in a way that is meaningful and relevant to our staff, and in a creative manner. For example:

- **Electricity:** Our Hong Kong and Macau daily electricity consumption from office and shops equates to 100,000 hours of usage by an average Hong Kong resident. Air pollution from electricity generation is costing us lives every day
- **Paper:** It takes less than three days for us to use an amount of A4 paper that equates to one tree
- **Waste:** The average Hong Kong municipal waste production is at least 30% higher than our neighboring cities, such as Tokyo, Taipei and Seoul, and moreover all landfill in Hong Kong will reach its capacity in six years' time

## 5.3

### Systemic approach – Green is here to stay!

Taking a systemic approach to sustainability ensures our continued progress towards a truly sustainable organization. During the reporting period, we acquired a number of certifications that recognize our commitment and systemic approach to sustainability.

#### Member of Hang Seng Corporate Sustainability Benchmark Index

Sa Sa has been a member of Hang Seng Sustainability Index for the 3rd consecutive year, recognising Sa Sa's commitment in sustainable labour, community, environmental and operation practices



Hang Seng Corporate Sustainability Index Series Member 2013-2014

#### Certified Gold Label of "Low-carbon Office Operation Programme (LOOP) Labelling Scheme" by World Wide Fund – Hong Kong

In recognition of an organization in commit, to calculate, cut and communicate low carbon lifestyle



#### CarbonSmart Programme of Hong Kong Productivity Council (HKPC)

For the commitment in carbon audit and various carbon reduction measure



#### Certified "Green Office Awards Labelling Scheme (GOALS)" Label by World Green Organisation

To recognize organization commitment to various office green measures, such as ones relating to energy, water, waste reduction, paper, procurement, transportation, education and innovation.



#### Certified United Nations Millennium Development Goals (UNMDG)-Better World Company Label by Junior International Chamber (JCI) North District

A recognition of an organisation which cares for the community and environment



#### Certified Carbon "Less" Certificates scheme with 12% Label by Hong Kong Awards for Environmental Excellence

Certificates are granted to participating organisations as testimony to their effectiveness in reducing the carbon emissions of their buildings and business operations.



## Some of our existing commitments include:

 <p><b>Green management</b></p>	<ul style="list-style-type: none"> <li>• An establish ESG Policy since February 2012</li> <li>• A cross department ESG Taskforce has been setup since March 2012, co-chaired by our Corporate Strategy and Development Director, with regular meetings</li> <li>• Hired a dedicated ESG Manager</li> <li>• Regular ESG update to Board of Directors</li> </ul>
 <p><b>Electricity</b></p>	<ul style="list-style-type: none"> <li>• Installed energy efficient lights covering most of the office space, 40.9% of our retail shops are now fully LED lit and 14.6% being partially LED Lit</li> <li>• 50% lights being switched off during office lunch hour</li> <li>• Lights off timer installation across all office</li> <li>• All shop external signages have been adjusted to minimize light pollution outside of operating hours</li> </ul>
 <p><b>Paper</b></p>	<ul style="list-style-type: none"> <li>• <b>FSC Paper:</b> We have adopted FSC certified paper for all printed marketing material and annual report, and office printing paper</li> <li>• <b>E-fax:</b> Introduced e-fax in the office to reduce unnecessary printing</li> <li>• <b>Duplex:</b> All new computer printer setup are defaulted to duplex printing, and colleagues are constantly reminded to do so</li> <li>• <b>Monitoring:</b> The printing in the office are individually logged and reported on regularly</li> </ul>
 <p><b>Packaging and Waste Management</b></p>	<ul style="list-style-type: none"> <li>• <b>P-Life addictive</b> has been added to all our plastic shopping bags and most of our office rubbish bags to make them bio-degradable</li> <li>• <b>Recycling:</b> Plastic and aluminum recycling facilities are installed across all office. Total paper recycled in office for the period reached 10,144kg</li> <li>• <b>Annual Dinner:</b> Food waste are collected at the end of the event to produce fish food</li> </ul>
 <p><b>Transport and water use</b></p>	<ul style="list-style-type: none"> <li>• Internal communication over water conservation issue</li> <li>• All Sa Sa owned delivery trucks in Hong Kong meets Euro 5 emission standard</li> </ul>
 <p><b>Wildlife conservation</b></p>	<ul style="list-style-type: none"> <li>• Silver corporate member of WWF program for 7th consecutive years</li> <li>• We have banned shark fin soup to be served in our Annual Dinner Banquet since 2010</li> </ul>

**\*Notice of correction of prior report:** The 46% shops with LED light quoted in FY12/13 report include reference to shops with partial LED light installation.

## 5.4

### *Sharing the beauty of green beyond our boundary*

We recognize the importance for society as a whole to shift towards a greener economy. Through sharing our capabilities and what we have learnt from our green journey with others, we hope that they can be empowered to create positive impacts of their own on the environment and society!



#### Executive level involvement

We are fortunate that our CFO/Executive Director Dr Guy Look is personally committed in driving forward green movement inside and outside the organisation. As at 31 March 2014, Dr Look sits in HKSAR Environmental Protection Department Energy Advisory Committee (since July 2012 for a 2 years term) and he is a member of Appeal Panel of Hong Kong Green Building Council Certification Scheme (since October 2013 for a 2 years term).



#### Direct support

Sa Sa has been a Silver Corporate Member of WWF for seven consecutive years. We are glad to provide product sponsor to HSBC Water Race in 2014, to support the cause of water conservation education.



#### Radio and news paper sharing

With our earnest drive in green initiatives, Sa Sa has been invited to share learning from our green journey with WGO on Metro Finance Radio Station during the year, news articles were published on HKET, SCMP, and AM730 through WWF.



#### Corporate sharing

To aid other corporates and individuals to drive forward green changes, Sa Sa have provided intellectual support to various NGO during the year, by sharing our the experience through seminars organized by WGO, WWF, and Chinese University of Hong Kong.





## 5.5

### *A first step outside of our core operations*

We have started engaging our oversea offices towards the end of this fiscal year, with the aim of incorporating their environmental impact data in our next ESG report and to further elevate their green practices. Many of our overseas offices have already made a start on their green journey, and a selection of practices is extracted below:

#### Sa Sa China

- Started installing LED lights in all new shops/renovation since June 2012
- Partial lights off in office during lunch hour
- Regular monitoring and reporting of paper printed by individual
- Active encouragement of duplex printing



#### Sa Sa Taiwan

- Started installing LED lights in all new shops since 2012
- Encourage reduced printing, achieving reduction of paper and stationery expense by 21% compared to last year
- Introduced VNC system to enable remote access to file, further reduce the need of printing
- Started tracking of energy, printing, shop display material, waste and recycling since 2013

#### Sa Sa Singapore

- Controlling paper usage
- Reusing/recycle of doors & door frames, office partition and glass panels, office furniture where practical at office relocation
- Controlling air-con room temperature at 25C



#### Sa Sa Malaysia

- Partial lights off in the office during lunch hour
- Started installing LED lights in all new shops/renovation since 2011
- Active encouragement of duplex printing & reduced printing
- Regular monitor and reporting of pieces of paper printed by individual

## 6. Self assessment grid against HKEx Environmental, Social and Governance Reporting Guide

KPI	HKEx ESG Reporting Guide requirements	FY2013/14 ESG Report Coverage	Page
<b>A. Workplace Quality</b>			
<b>Aspect A1 Working conditions</b>			
General disclosure	(a) the policies; and (b) relevant standards, rules and regulations on compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity and other benefits and welfare.	Partially reported	Online Equal Opp Policy
A1.1	Total workforce by employment	Fully reported	P. 58
A1.2	Employee turnover rate	None	
<b>Aspect A2 Health and safety</b>			
General disclosure	(a) the policies; and (b) relevant standards, rules and regulations on providing a safe working environment and protecting employees from occupational hazards.	Partially reported	P. 66
A2.1	Number and rate of work-related fatalities	Fully reported	P. 66
A2.2	Lost days due to work injury	None	
A2.3	Occupational health and safety measures adopted, are implemented and monitored	Partially reported	P. 66
<b>Aspect A3 Development and training</b>			
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Partially reported	P. 60-62
A3.1	The percentage of employees trained by employee category	None	
A3.2	The average training hours completed per employee	Partially reported	P. 60
<b>Aspect A4 Labour standards</b>			
General disclosure	(a) the policies; and (b) relevant standards, rules and regulations on preventing child or forced labour.	Partially reported	P. 66
A4.1	Measures to review employment practices to avoid child and forced labour.	Partially reported	P. 66
A4.2	Steps taken to eliminate such practices	None	
<b>B. Environmental Protection</b>			
<b>Aspect B1 Emissions</b>			
General disclosure	(a) the policies; and (b) relevant standards, rules and regulations on air (include NOX, SOX) and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, etc.	None	
B1.1	The types of emissions and respective emissions data	Partially reported	P. 81
B1.2	Greenhouse gas emissions in total (in tonnes) and intensity	Partially reported	P. 81
B1.3	Total hazardous waste produced (in tonnes) and intensity	None	
B1.4	Total non-hazardous waste produced (in tonnes) and intensity	None	
B1.5	Measures to mitigate emissions and results achieved	Partially reported	P. 82-83, 85, 87
B1.6	Handling, reducing of hazardous and non-hazardous wastes	Partially reported	P. 85, 87

KPI	HKEx ESG Reporting Guide requirements	FY2013/14 ESG Report Coverage	Page
<b>Aspect B2 Use of resources</b>			
General Disclosure	Policies on efficient use of resources including energy, water and other raw materials.	Partially reported	Online - ESG Policy
B2.1	Direct and/or indirect energy consumption in total and intensity	Fully reported	P. 81
B2.2	Water consumption in total and intensity	Fully reported	P. 81
B2.3	Energy use efficiency initiatives and results achieved	Partially Reported	P. 81
B2.4	Issue in sourcing water, water efficiency initiatives and results achieved	Partially Reported	P. 81
B2.5	Total packaging material used for finished products	None	
<b>Aspect B3 The environment and natural resources</b>			
General Disclosure	Policies on minimizing impact on the environment and natural resources	Fully reported	Online - ESG Policy
B3.1	Impacts of activities on the environment and natural resources and the actions taken	Partially Reported	P. 81-87
<b>C. Operating Practices</b>			
<b>Aspect C1 Supply chain management</b>			
General Disclosure	Policies on managing environmental and social risks of supply chain	Partially reported	P. 67-69
C1.1	Number of suppliers by geographical region	None	
C1.2	Practices relating to engaging suppliers, how they are implemented and monitored	Partially reported	P. 67-69, 80
<b>Aspect C2 Product responsibility</b>			
General Disclosure	(a) the policies; and (b) relevant standards, rules and regulations on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Partially reported	P. 67-70
C2.1	Percentage of total products sold or shipped subject to recalls for safety and health	Fully reported	P. 69
C2.2	Number of products and service related complaints received and how they are dealt with	Partially reported	P. 69-70
C2.3	Practices relating to observing and protecting intellectual property rights	None	
C2.4	Quality assurance process and recall procedures	Partially reported	P. 67-70
C2.5	Consumer data protection and privacy policies	Fully reported	P. 70, online
<b>Aspect C2 Anti-corruption</b>			
General Disclosure	(a) the policies; and (b) relevant standards, rules and regulations on bribery, extortion, fraud and money laundering	Fully reported	P. 66, online - Prevention of Bribery Ordinance
C3.1	Number of legal cases regarding corrupt practices and the outcomes	None	
C3.2	Preventive measures and whistle-blowing procedures, implementation and monitor	Fully reported	P. 66, online
<b>D. Community Involvement</b>			
<b>Aspect D1 Community investment</b>			
D1	Policies on community engagement	Fully reported	Online - ESG Policy
D1.1	Focus areas of contribution	Fully reported	P. 71-79
D1.2	Resources contributed	Partially reported	P. 74-79
<b>Remarks:</b>			
Online:	Sa Sa Corporate Website ( <a href="http://corp.sasa.com/">http://corp.sasa.com/</a> )		



# Investor Relations Report

## Effective and Two-Way Communications

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

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

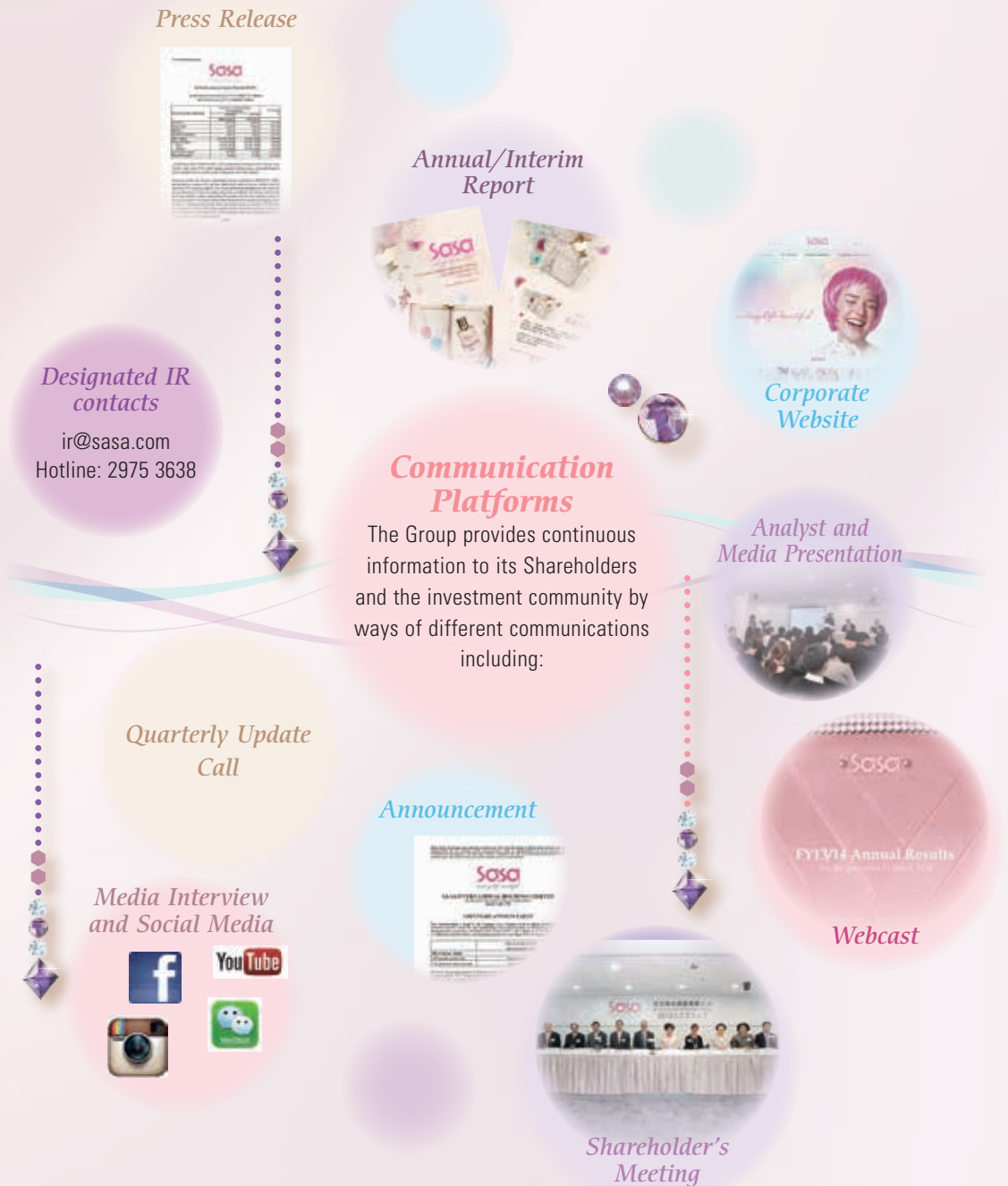
As part of our investor relations function, we recognize that communication has to be conducted in both directions and so to this end, we also collect feedback from investors and analysts for the attention of executive management and the Board of Directors. This also helps to formulate our investor relations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

## Shareholders’ Communication Policy

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



## Communication Platforms



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

## Investor Relations Activities

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

## Institutional Investors

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

- Proactive participation in major conferences and non-deal roadshows in Hong Kong and across countries in Asia, Europe and North America.
- Interim and Annual Results Analyst Presentation with webcast for those who cannot attend.
- Quarterly Analyst Conference Call was conducted in the first and third quarter to promote timely and efficient communications on important updates of the Group.
- Organized the first warehouse visit for Hong Kong investors.
- Invitation to our marketing events to keep Shareholders abreast of the Company's development strategies: 35<sup>th</sup> Anniversary Party and Press Conference, Sa Sa Supreme Grand Opening, and BEYOND (one of our exclusive distributorship brand) angel snow Product Launch Event with the appearance of spokesperson Mr Kim Soo Hyun.



### Frequent Contacts with Investment Community

**Over 1,300** analysts, fund managers and Investors (FY2012/13: Over 1,000)



### Close Engagement with Institutional Investors

- **11 major conferences** (FY2012/13: 21)
- **17 non-deal roadshows** (FY2012/13: 15) (please see below for details)
- **89 investor participants** for Annual Results Analyst Presentation (FY2012/13: 80)
- **89 investor participants** for Interim Results Analyst Presentation (FY2012/13: 100)
- **37 participants** for First Quarter Conference Call (*New*)
- **86 participants** for Third Quarter Conference Call (FY2012/13: 39)



Investor warehouse visit



35<sup>th</sup> Anniversary Party and Press Conference



BEYOND angel snow Product Launch Event with the appearance of spokesperson Mr Kim Soo Hyun



Sa Sa Supreme Grand Opening



FY2013/14 Interim Results Analyst Presentation

# Investor Relations Report

## Retail Investors

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

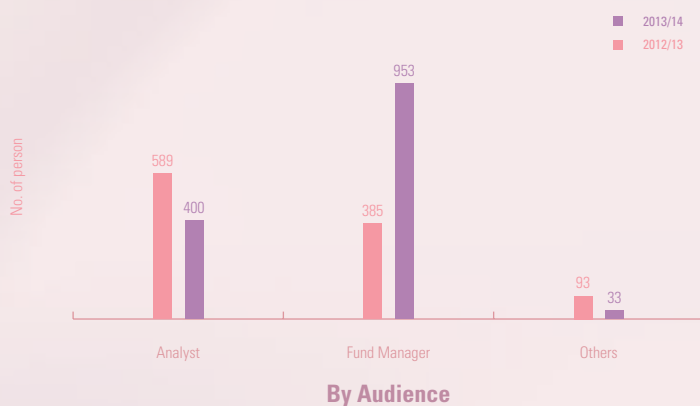
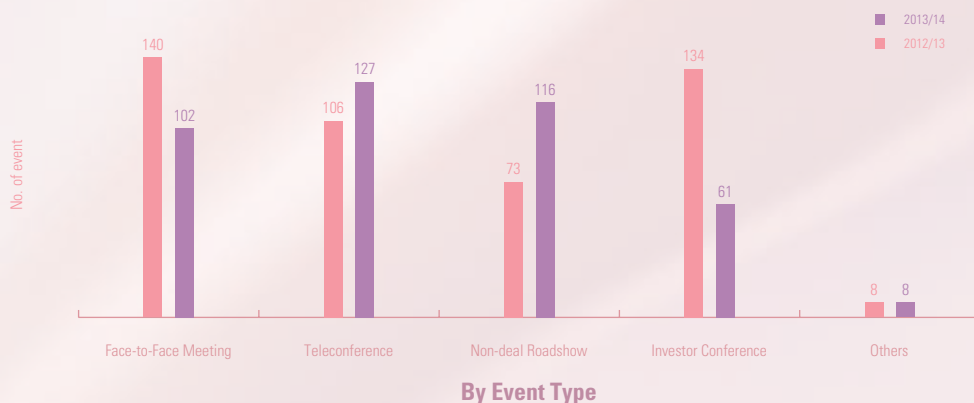
- A designated enquiry hotline (852) 2975 3638 has been launched for the investment community including retail investors.
- A separate Q&A section for retail investors is arranged in our Annual General Meeting.

## Communication with Sell-side Analysts

The Group has also maintained continuous dialogues with many sell-side analysts of securities research institutions, of which 26 have already covered our Company. During the year, a total of over 160 research reports covering Sa Sa has been published by securities firms in Hong Kong market.

- **26** analysts covering Sa Sa (FY2012/13: 22)
- **Over 160** research reports (FY2012/13: Over 170)

## Investor Relations Activities Analysis





## Roadshow and Conference

FY2013/14	Event	Organizer	Location
Q1	Post-results non-deal roadshow	Barclays	London
	Post-results non-deal roadshow	Barclays	Frankfurt
	Post-results non-deal roadshow	Barclays	Paris
	Consumer Forum	Daiwa	Hong Kong
	Pulse of Asia Conference	DBS Vickers	Hong Kong
	Post-results non-deal roadshow	Citi	Hong Kong
	Post-results non-deal roadshow	Barclays	Hong Kong
	Post-results non-deal roadshow	HSBC	Singapore
Q2	HK/China Access Day	Mirae Asset	Hong Kong
	Post-results non-deal roadshow	First Shanghai	Shenzhen
	Consumer & Gaming Conference	Barclays	Hong Kong
	China Investor Forum	Nomura	Shanghai
	Post-results non-deal roadshow	DBS Vickers	New York
	Post-results non-deal roadshow	BOCOM	Hong Kong
Q3	Asia Consumer Corporate Day	UOB Kay Hian	Singapore
	Consumption Conference	HSBC	Hong Kong
	Post-results non-deal roadshow	Credit Suisse	Hong Kong
	Post-results non-deal roadshow	Citi	Hong Kong
	Post-results non-deal roadshow	Standard Chartered	Singapore
	Post-results non-deal roadshow	DBS Vickers	Kuala Lumpur
	Post-results non-deal roadshow	Macquarie	Hong Kong
	HK China Corporate Day	Citi	Hong Kong
	Post-results non-deal roadshow	HSBC	London
Q4	Post-results non-deal roadshow	Nomura	Tokyo
	Greater China Conference	UBS	Shanghai
	Hong Kong Corporate Summit	Daiwa	Hong Kong
	Asian Investment Conference	Credit Suisse	Hong Kong
	Post-results non-deal roadshow	Standard Chartered	Singapore



**Note:**

- Number of conference and post-results non-deal roadshow participated for FY2013/14.
- Number of conference and post-results non-deal roadshow participated for FY2012/13.

## Shareholders' Meetings

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

The last shareholders' meeting was the AGM held at 3<sup>rd</sup> Floor, Gold Mark Plaza, 502 Hennessy Road, Causeway Bay, Hong Kong on 22 August 2013, for approval of, among others, the re-election of retiring Directors and the general mandates to issue and purchase shares. Particulars of the major items considered at the AGM are set out in the circular dated 16 July 2013. All proposed ordinary resolutions were passed by way of poll votings at the AGM.

The 2014 AGM will be held at 3<sup>rd</sup> Floor, Gold Mark Plaza, 502 Hennessy Road, Causeway Bay, Hong Kong, on 21 August 2014 (Thursday) at 11 a.m.

### Shareholders' Rights

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

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

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



2013 AGM



# Investor Relations Report

## From Commitment to Recognition

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

### Award and Recognitions

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**Hang Seng Corporate Sustainability Benchmark Index 2013-2014** constituent member

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**Forbes Asia – Asia’s 200 Best Under a Billion**

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**FinanceAsia – Asia’s Best Company Poll 2013**

- The 3<sup>rd</sup> in the Best Mid-Cap in Hong Kong
  - The 8<sup>th</sup> in the Best Investor Relations in Hong Kong
- 

**IR Magazine – Investor Perception Study Asia 2013/14**

- The 11<sup>th</sup> in Greater China Ranking
  - The 17<sup>th</sup> in All-Asia Ranking
  - The 2<sup>nd</sup> in Best in Sector – Consumer Goods & Services in Greater China
  - The 3<sup>rd</sup> in Best Investor Relations by a Hong Kong Company
  - The 4<sup>th</sup> in Grand Prix for Best Overall Investor Relations – Mid or Small Cap in Greater China
- 

**Institutional Investor Magazine – All-Asia Executive Team 2013**

- The 3<sup>rd</sup> in Asia’s Best CFO (Dr Guy Look, the Group’s CFO and Executive Director)
  - Best CEO Nomination – nominated by the Sell-Side (Dr Simon Kwok, the Group’s Chairman and CEO)
  - Best CEO Nomination – nominated by the Buy-Side (Dr Simon Kwok)
  - Best CFO Nomination – nominated by the Sell-Side (Dr Guy Look)
  - Best CFO Nomination – nominated by the Buy-Side (Dr Guy Look)
  - Best Investor Relations Nomination – nominated by the Sell-Side
  - Best Investor Relations Nomination – nominated by the Buy-Side
  - Best Investor Relations Professional Nomination – nominated by the Sell-Side (Ms Tiffany Cheung, Director of Corporate Communications and Investor Relations)
  - Best Investor Relations Professional Nomination – nominated by the Buy-Side (Ms Tiffany Cheung)
- 

**Corporate Governance Asia Magazine – the 4<sup>th</sup> Asian Excellence Recognition Awards 2014**

- Best Investor Relations Company (Hong Kong)
- 

**Corporate Governance Asia Magazine – the 9<sup>th</sup> Corporate Governance Asia Recognition Awards 2013**

- Asia’s Outstanding Company on Corporate Governance (Hong Kong)
- 

**Finet and Tencent – Top 100 Hong Kong Stocks 2013**

- Top 10 Hong Kong Stocks – Return on Equity
- 

**Hong Kong Management Association – Best Annual Reports Awards 2013**

- Citation for Corporate Governance Disclosure
-

**Mercomm, Inc. – International ARC Awards 2013 (The Group’s 2011/12 Annual Report)**

- Silver Award in the category of Retail – Illustrations
- Silver Award in the category of Fragrances and Beauty Aids – Cover Photo/Design
- Honors Award in the category of International Retail – Traditional Annual Report
- Honors Award in the category of International Retail – Interior Design

**Mercomm, Inc. – Galaxy Awards 2014 (The Group’s 2012/13 Annual Report)**

- Gold Award in the category of Traditional Design for a Annual Reports (Hong Kong)
- Gold Award in the category of Overall Presentation for a Annual Reports (Retail – Cosmetics)

**Mercomm, Inc. – Mercury Excellence Awards 2013-2014 (The Group’s 2012/13 Annual Report)**

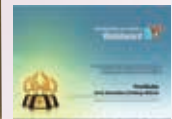
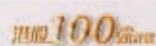
- Gold Award in the category of Overall Presentation for a Annual Reports (Beauty/Cosmetics)
- Gold Award in the category of Overall Presentation for a Annual Reports (Consumer Goods)

**Web Marketing Association of the United States – WebAward Competition 2013 (<http://corp.sasa.com>)**

- International Business Standard of Excellence



Hang Seng Corporate Sustainability Index Series Member 2013-2014



For details of the a full list of recognitions, please refer to the “Awards and Recognition” section on pages 14 to 23 of this Annual Report.

# Investor Relations Report

## Shareholding Structure

According to the Company's share registrar, Sa Sa had 1,577 registered shareholders as at 31 March 2014. This number does not include individual Shareholders and corporations that have an indirect interest through intermediaries including custodians and nominees, investment funds and the Central Clearing and Settlement System (CCASS) operated by Hong Kong Securities Clearing Company Limited, and therefore, the Company's actual number of Shareholders would be larger.

Our largest beneficial shareholders are Dr KWOK Siu Ming Simon, Chairman and CEO, and Dr KWOK LAW Kwai Chun Eleanor, Vice-chairman, both Executive Directors of the Company, who have a combined shareholding of 63.21%<sup>^</sup>. The 36.79% remaining proportion of the shares are held by a wide range of institutional investors across North America, Europe and Asia, and a considerable number of retail investors.

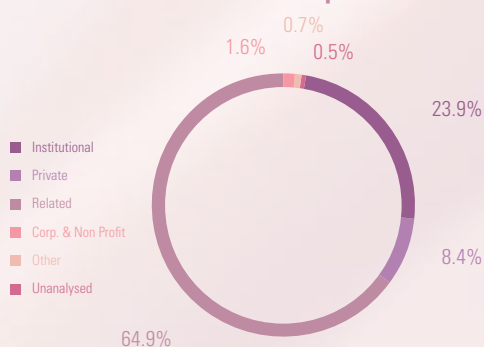
<sup>^</sup> Please refer to pages 151 to 154 in the "Report of the Directors" of this Annual Report for details of the Directors' and Chief Executive's shareholding interests.

During the year, the Company engaged NASDAQ OMX Group, Inc. to conduct "Shareholder Identification" which was able to analyse 2,843,059,520 shares of the Company as at 31 March 2014, representing 99.3% of the total issued capital.

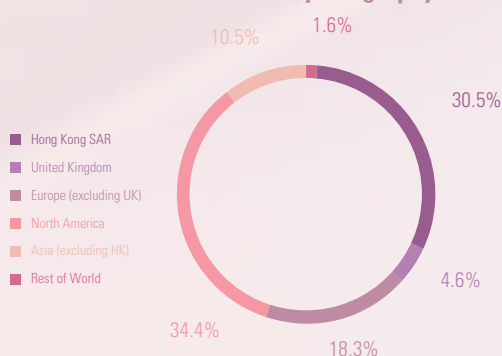
According to NASDAQ OMX's report, the Group's institutional shareholder base was composed of firms spanning across 26 countries, and accounted for 23.9% of the Company's total issued capital as at 31 March 2014, while the low turnover orientation<sup>#</sup> accounted for 56.7% of the total institutional shareholders.

<sup>#</sup> Average holding period exceeds 24 months.

**Total Shareholder Composition**



**Institutional Shares by Geography**



## Shareholders Information

### Financial Calendar

FY 2013/14 interim results announcement	18 November 2013
Closure of register of members	9-10 December 2013 (both days inclusive)
Payment of 2013/14 interim and special dividends	19 December 2013
FY 2013/14 annual results announcement	26 June 2014
For determining shareholders' eligibility to attend and vote at AGM:	
• Closure of register of members	20-21 August 2014 (both days inclusive)
• Record Date for eligibility to attend and vote at AGM	21 August 2014
Annual General Meeting	21 August 2014
For determining entitlement to the final and special dividends (if payable):	
• Closure of register of members	27-28 August 2014 (both days inclusive)
• Record Date	28 August 2014
Proposed payment Date of 2013/14 final and special dividends (if payable)	5 September 2014
FY 2014/15 interim results announcement	Mid to late November 2014

### Share Listing

First listed on the Stock Exchange of Hong Kong	13 June 1997
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### Listing and Stock Codes

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

### Stock Information

Board lot	2,000 shares
Nominal value per share	HK\$0.1
Number of ordinary shares issued as at 31 March 2014	2,843,059,520
Public float as at 31 March 2014	Approximately 35.1%

# Investor Relations Report

## Share Performance

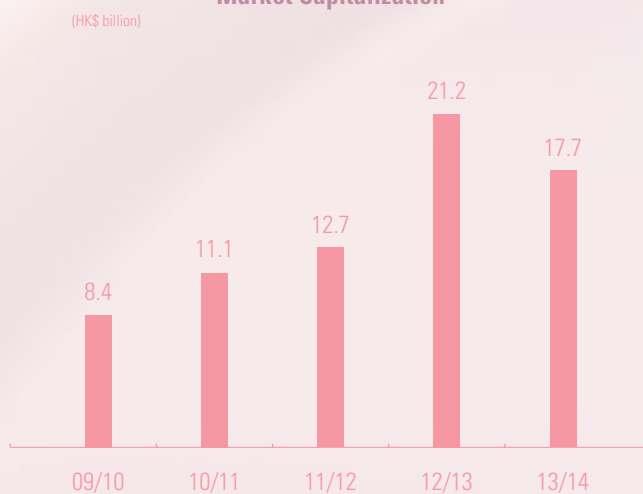
Share performance	2013/14	2012/13
Closing price as at 31 March	HK\$6.22 per share	HK\$7.51 per share
Highest price during the fiscal year	HK\$9.31 per share	HK\$8.66 per share
Lowest price during the fiscal year	HK\$6.07 per share	HK\$3.99 per share
Average daily trading volume	5.4 million shares	5.0 million shares
Average daily trading amount	HK\$42.1 million	HK\$28.6 million

### Share Performance



Source: NASDAQ OMX Group, Inc.

### Market Capitalization





## Dividend History

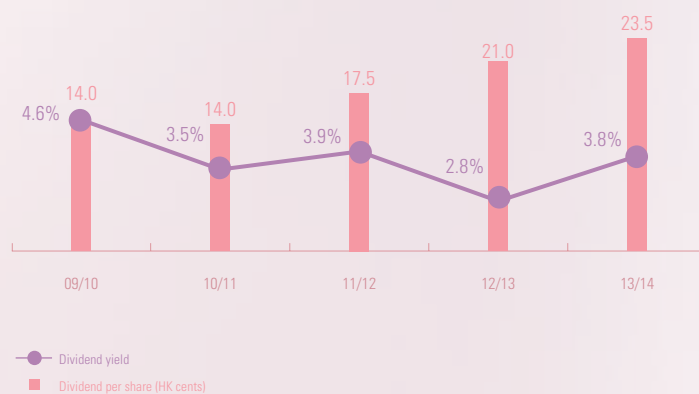
Depending on the Group's cash flow, earning capacity, development plans, and the final decision of the Board, and in the absence of special circumstances, the Group will strive to maintain a consistently high dividend policy.

Financial Year	Dividend Payout Ratio
2013/14	71.4%
2012/13	71.9%
2011/12	71.4%
2010/11	77.1%
2009/10	102.0%

Financial Year	Dividend per share (HK cents)				Total	Dividend Yield (%)
	Basic		Special			
	Interim	Final	Interim	Final		
2013/14	4.50	9.00	4.50	5.50	23.50	3.8
2012/13	2.50	5.00	4.50	9.00	21.00	2.8
2011/12	2.00	3.50	4.00	8.00	17.50	3.9
2010/11	1.50*	2.50	3.00*	7.00	14.00*	3.5
2009/10	1.50*	2.50*	3.00*	7.00*	14.00*	4.6

\* Adjusted for the 1:1 Bonus Issue

## Dividend per Share and Dividend Yield



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

## Investor Relations Report

### Investor Relations Enquiries and Communications

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

#### Corporate Communications and Investor Relations Department, Sa Sa International Holdings Limited

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

Investor relations hotline: (852) 2975 3638

Fax: (852) 2595 0797

Email: [ir@sasa.com](mailto:ir@sasa.com)

### Shareholders Service and Enquiries

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

#### Tricor Abacus Limited

Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong

Tel: (852) 2980 1333

Fax: (852) 2810 8185

Email: [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com)

Website: [www.tricoris.com](http://www.tricoris.com)

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



# Corporate Governance Report



## Executive Committee

1. Dr KWOK Siu Ming Simon\* (Chairman)
2. Dr KWOK LAW Kwai Chun Eleanor\*
3. Dr LOOK Guy\*



## Risk Management Committee

1. Dr KWOK Siu Ming Simon\* (Chairman)
2. Dr KWOK LAW Kwai Chun Eleanor\*
3. Dr LOOK Guy\*



## Board

1. Dr KWOK Siu Ming Simon\* (Chairman & CEO)
2. Dr KWOK LAW Kwai Chun Eleanor\* (Vice-chairman)
3. Dr LOOK Guy\* (CFO)
4. Ms LEE Yun Chun Marie-christine<sup>#</sup>
5. Professor CHAN Yuk Shee<sup>Δ</sup>
6. Dr LEUNG Kwok Fai Thomas<sup>Δ</sup>
7. Ms TAM Wai Chu Maria<sup>Δ</sup>
8. Ms KI Man Fung Leonie<sup>Δ</sup>
9. Mr TAN Wee Seng<sup>Δ</sup>



## Remuneration Committee

1. Dr LEUNG Kwok Fai Thomas<sup>Δ</sup> (Chairman)
2. Dr KWOK LAW Kwai Chun Eleanor\*
3. Ms TAM Wai Chu Maria<sup>Δ</sup>
4. Ms KI Man Fung Leonie<sup>Δ</sup>



## Audit Committee

1. Professor CHAN Yuk Shee<sup>Δ</sup> (Chairman)
2. Dr LEUNG Kwok Fai Thomas<sup>Δ</sup>
3. Ms TAM Wai Chu Maria<sup>Δ</sup>
4. Ms KI Man Fung Leonie<sup>Δ</sup>



## Nomination Committee

1. Ms TAM Wai Chu Maria<sup>Δ</sup> (Chairman)
2. Dr KWOK LAW Kwai Chun Eleanor\*
3. Dr LEUNG Kwok Fai Thomas<sup>Δ</sup>

\* Executive Director

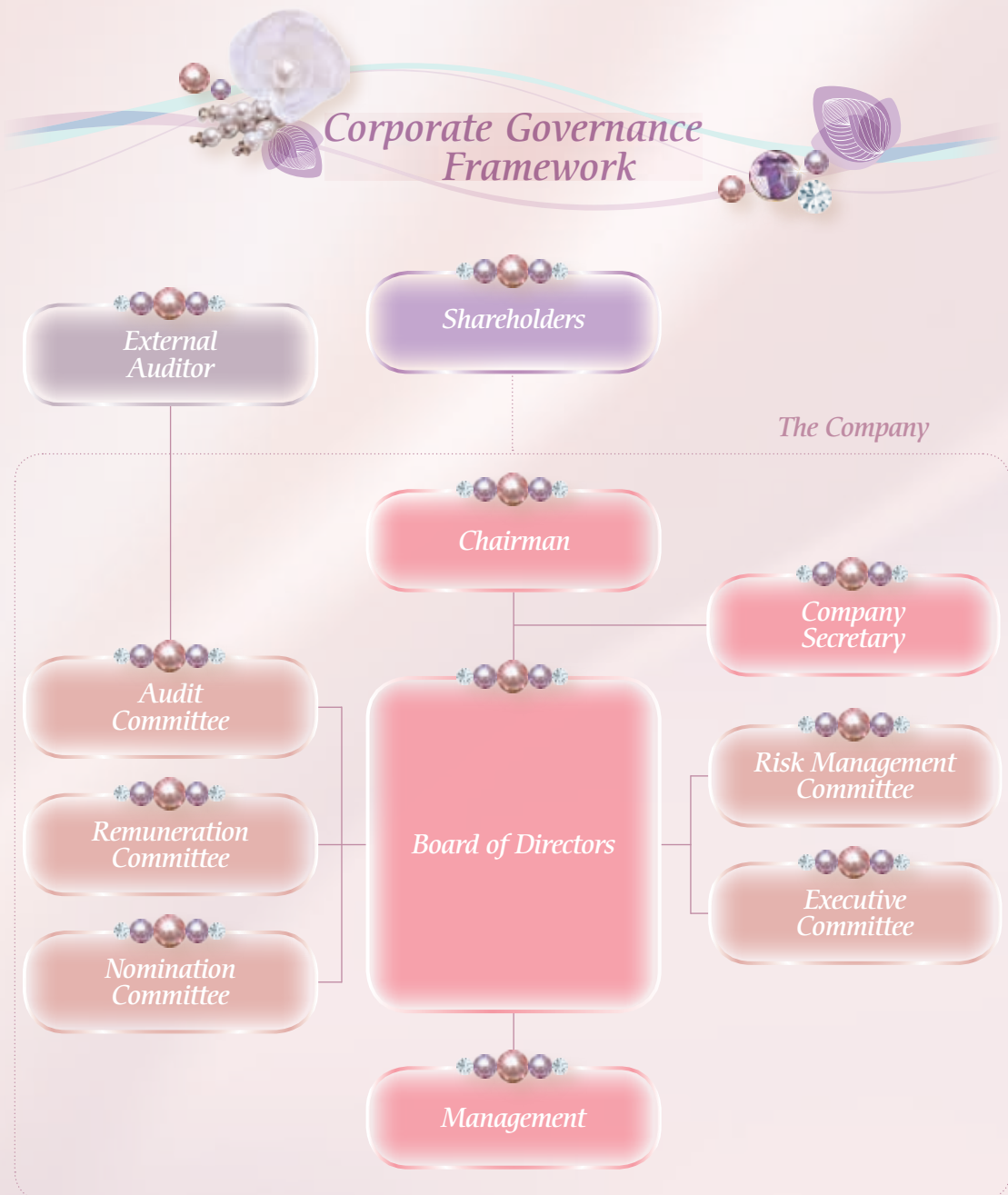
<sup>#</sup> Non-executive Director

<sup>Δ</sup> Independent non-executive Director

# Corporate Governance Report

Reflecting our belief in the importance of inner beauty, the Group strives for the highest corporate governance standards. Making Life Beautiful is a culture that is rooted in all aspects of our strategies and operations. The Group believes that our business can only be successful, sustainable and beautiful in the broadest sense of the term when governed by a strong corporate governance culture. This culture ensures that we are responsible, accountable and transparent and is reflected in the tone set by the board and the mindset of the individual employees. This tone accords with an increasingly stringent regulatory environment and rising public expectations.

Corporate governance is the foundation of how our Group balances and aligns the interests of all our stakeholders, determining both strategic directions and methods of execution. It allows us to manage the balance between achieving our objectives and risks, and it involves performance as well as compliance. As such, it can only be effective if it is built into our corporate culture as well as our control systems.



The margin notes refer to the provisions in the CG Code

*The Group believes that our business can only be successful, sustainable and beautiful in the broadest sense of the term when governed by a strong corporate governance culture.*

## The Board

A.2.4 Under the supervision and guidance of the Chairman, the Board takes a leading and prominent role in establishing a  
 A.2.5 clear corporate governance framework, setting the tone and ensuring its full application and internalizing it so that  
 D.3.2 it becomes a corporate structure for all our members: both management and all employees. Our Chairman provides  
 G.(a) leadership for the Board and ensures that the Board works effectively and discharges its responsibilities. He also  
 L.(d)(iii) takes on other responsibilities such as being primarily responsible for Board agendas, ensuring that good corporate governance practices and procedures are established, and ensuring that there are effective communications between the Board and the Shareholders.

## Our board composition

### Executive Directors



*Dr KWOK Siu Ming Simon*  
(Chairman and CEO)

*Dr KWOK LAW Kwai Chun Eleanor*  
(Vice-chairman)

*Dr LOOK Guy*  
(Chief financial officer)

### Non-Executive Director



*Ms LEE Yun Chun Marie-christine*

### Independent Non-Executive Directors



*Professor CHAN Yuk Shee*  
*Dr LEUNG Kwok Fai Thomas*  
*Ms TAM Wai Chu Maria*  
*Ms KI Man Fung Leonie*  
*Mr TAN Wee Seng*

### Board composition

The Board comprises three Executive Directors, one NED and five INEDs. There is a strong culture of independence in the Board. INEDs represent about 56% of the total number of our Directors, exceeding the Listing Rules requirement of more than one-third. The composition of our Board complies with Rules 3.10(1) and (2), and 3.10A of the Listing Rules. <sup>I.(f)</sup>

The Company has received from all INEDs written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules for the year under review. All our INEDs are identified in all our Corporate Communications. Each INED is required to inform the Company as soon as practicable if there is any change in their own personal particulars that may affect their independence. A company controlled by one of the INEDs had business dealings with the Group during the year under review. After reviewing all relevant materials and information including that INED's confirmation, the Nomination Committee decided that such business dealing was relatively insignificant when compared to the business of the Company as a whole. The Committee also concluded that it would not render the INED financially dependent on the Group and agreed that the independence of that INED was not affected according to its interpretation of Rule 3.13 of the Listing Rules. <sup>A.3.1 I.(g) A.5.2.(c)</sup>

Professor CHAN Yuk Shee, Dr LEUNG Kwok Fai Thomas and Ms TAM Wai Chu Maria have been serving as our INEDs for more than nine years. Their re-appointment is subject to the shareholders' approval. The Nomination Committee considers that this long service does not interfere with their exercise of independent judgment in carrying out the duties and responsibilities of an INED to maintain an independent view of the Group's affairs, in particular when their past performance is taken into account. The Nomination Committee regards them as independent and believes they will continue to contribute effectively to the Board because of their familiarity with the Group's businesses and affairs, and in this spirit they were recommended to the Board for approval. The Board concurred with the opinion of the Nomination Committee and recommended the reappointment of Ms TAM Wai Chu Maria at the AGM held in August 2013. The shareholders approved the reappointment at the 2013 AGM. The Board, concurring with the recommendation of the Nomination Committee, recommended the reappointment of Professor CHAN Yuk Shee and Dr LEUNG Kwok Fai Thomas for shareholders' approval at the AGM to be held in August 2014. <sup>A.4.3</sup>

Our Directors come from different business and professional backgrounds and are equipped with various qualifications and experience. Female Directors account for 44% of the whole Board. Please refer to the section "Board Diversity" on page 125 of this Corporate Governance Report for a detailed discussion of this matter. <sup>A.6.7</sup>

Our NED and INEDs exercise their independent judgment on a wide range of strategic issues and scrutinize the Group's performance closely. They have made a constructive and positive contribution to the development of the Group's strategy and policies through independent, positive and informed comments and feedbacks. Their voices and opinions have been adequately reflected in the meeting minutes. The INEDs have the knowledge and understanding of our business to effectively contribute, and are kept well informed and abreast of significant new developments in the business. <sup>A.6.7 A.6.8</sup>

As at 31 March 2014, none of our Executive Directors hold directorship in other listed companies. Biographical Information of the Directors (including financial, business, family or other material or relevant relationship, if any, between Board members and their directorships in other listed companies for the past three years) are set out on pages 47 to 52 of this Annual Report and posted on the Company's website. The date of appointment, date of last re-election in AGM as Director and term of directorship, if applicable, of our Directors are set out in the Report of the Directors on pages 149 to 150 of this Annual Report. <sup>I.(h)</sup>



### Appointment of directors

- A.4.1 Each Non-executive Director was appointed for a term of three years by a formal letter of appointment with the  
A.6.2 Company upon appointment or reappointment. Such appointment letter sets out key terms and conditions, length of  
A.6.3 appointment, the time commitment expected, the roles and functions (including those functions as mentioned in Code  
D.1.4  
K Provision A.6.2 of the CG Code) and amount of remuneration.
- A.4.2 Our Articles of Association provides that all Directors appointed to fill a casual vacancy should hold office only until the first general meeting after their appointment and be subject to re-election at such meeting. Our Articles of Association also require one-third of the Directors to retire by rotation at each AGM and each Director to retire by rotation at least once every three years.

### Conflict of interest

- A.1.7 All Directors are required to comply with Rule 3.08(d) of the Listing Rules to avoid actual and potential conflicts of interest and duty at all times. Executive Directors are subject to the Conflict of Interest Policy of the Company, which requires them to avoid any conflict of interest with the Company and to declare to the Company any such conflicting interest so that the Company can, if appropriate, request them to terminate the business relationship that creates the conflict.

It is acknowledged that non-executive Directors may have business interests other than those of the Company and they are required to declare any conflicts that are apparent upon appointment. In the event that they become aware of any potential conflicts of interest, these should be disclosed to the Chairman and Company Secretary immediately.

Furthermore, Directors are required to declare their interest in the matters to be considered at each Board meeting and Board committee meeting. If a Director or any of his/her close associates has a material interest in the matter to be considered, the Director will not be counted in the quorum or be allowed to vote at the meeting. He or she may also be required to withdraw from the meeting during discussion of the matter.

### Board proceedings

- A.2.6 Our Directors actively participate in each Board meeting to provide oversight and strategic direction to the Group  
A.2.9 on operational, governance, internal control and other matters. Issues are debated openly and each Director is free to question or challenge the opinions of the other Directors including the Chairman and Vice-chairman, who are the controlling Shareholders. The Board meetings are also one of the platforms for interaction between members of the management team and the Board. Relevant members from the management team are invited to attend some of the Board meetings to provide information and take questions from the Board. In particular, the Group has developed an annual budgeting process where the short-and long-term business and financial plans prepared by the management team are constructively reviewed and scrutinized by Board members before they are formally approved at Board meetings.



## Corporate Governance Report

The Chairman believes that it is in the Directors' own best interest to voice whatever concerns they may have as each Director has the same general legal responsibilities to the Company as any other Director, regardless of whether they are executive or non-executive. As such, in each Board meeting, the Chairman nurtures an open and uninhibited environment where other Directors with different views are free to express their own opinions. In the event that decision is not reached unanimously, the respective vote of each Director is recorded in the minutes. All resolutions carried in the year under review were with the unanimous votes of all Directors present at the meetings. <sup>A.2.6  
A.2.9</sup>

Besides using Board meetings or committee meetings, the Chairman has been enhancing rapport between executive Directors and non-executive Directors through interactions in less formal channels, such as participation by non-executive Directors in the annual dinner, Sa Sa Ladies' Purse Day and other corporate functions.

### Notice, agenda and supply of information

Our timetable for regular Board meetings are scheduled one year in advance to enable the Directors to manage their time commitment towards the Company. Formal notices of meetings together with the agenda are usually sent to all Directors and other participants at least 14 days in advance and all Directors are given an opportunity to include additional matters for consideration at such meetings. Directors are specifically consulted well beforehand which department's presentation on strategies or annual budgets they would like to hear and discuss. No Board or committee meeting was called at short notice during the year under review. <sup>A.1.2  
A.1.3</sup>

When compiling Board papers, the Chairman works closely with the Company Secretary to ensure that comprehensive, adequate, complete, reliable and timely information are presented to the Board to enable them to set strategy, monitor progress towards meeting the Group's objectives and conduct regular reviews of financial performance, risk management and other business issues. The Executive Directors and the management also work closely with the Company Secretary to ensure that information necessary to keep Directors updated of the latest situation of the Company and for them to make informed decisions is presented to the Board in a timely manner. <sup>A.2.2  
A.2.3  
A.7.3</sup>

Board papers are usually sent to Directors one week before but for some circumstances at least three days in advance of the meetings. Information supplied to the Board in the year under review amounted to some 2,939 pages as set out in the chart on page 125 of this Corporate Governance Report. With a view to becoming more environment friendly, we distribute board papers in electronic form and Directors are encouraged to read the electronic version. <sup>A.7.1</sup>

The Company Secretary ensures that minutes of all our meetings record in sufficient detail the matters considered and the decisions reached, including any concerns raised by Directors or dissenting views expressed. The Company Secretary liaises with the relevant departmental heads such that the latter will follow up on any action necessary to respond to decisions made in the Board meetings. <sup>A.1.5</sup>

### Board meetings

The Board held six meetings during the year ended 31 March 2014. Some of the matters considered by the Board in the year under review (including events considered up to the date of this Annual Report), are: <sup>A.1.1</sup>

1. review of the annual report for the year ended 2012/13, interim report and annual report for the year ended 2013/14;
2. review of the financial results for the year ended 31 March 2013, the six months ended 30 September 2013 and for the year ended 31 March 2014, and the financial results for the first quarter ended 30 June 2013 and the third quarter ended 31 December 2013;



3. assessment on new Hong Kong Financial Reporting Standards;
4. review of the dividend policy of the Company, and approval of payments of final dividend for the year ended 31 March 2013, interim dividend for the six months ended 30 September 2013 and final dividend for the year ended 31 March 2014;
5. review of the treasury policies for the year ended 31 March 2013, the six months ended 30 September 2013 and for the year ended 31 March 2014, and approval of the future strategies;
6. approval of adoption of a Chinese name for the Company;
7. approval of a new Share Award Scheme of the Company;
8. approval of the Board Diversity Policy;
9. review of the outstanding litigations and/or claims for the year ended 31 March 2013, the six months ended 30 September 2013 and the year ended 31 March 2014;
10. review of an update of investor relations from the Director of Corporate Communications and Investor Relations, including receiving feedback from investors;
11. review of updates and future strategies of the Company's environmental and social governance initiatives, and corporate governance practices;
12. deliberation, discussion and approval of the performance of the Group against budget for the financial year 2013/14 and the budget for the financial year 2014/15 (including a special review on the Human Resources Department);
13. grant of share options to employees; and
14. discussion of reports from various Board committees.

The Board has also discussed in various meetings strategic issues of the Group which are more specifically discussed under "Discussion of strategies by the Board" on page 120 of this Corporate Governance Report below.

A.2.7 The executive Chairman held a private meeting with all INEDs (without any other Executive Directors or other management members being present) in August 2013 to discuss any concern that they may have.



## Corporate Governance Report

### Directors' securities transactions

The Company has adopted a policy regarding securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10 of the Listing Rules). Having made specific enquiry of all Directors, all of them have confirmed that they have complied with this policy throughout the reporting period. The Company has also adopted a similar policy for certain relevant employees who, because of their office or employment, are likely to be in possession of unpublished inside information in relation to the Company or its shares. On commencement of his or her employment, relevant employees are required to acknowledge their understanding of this policy and the list of relevant employees is updated at regular intervals. Both these policies have been updated as a result of the amendments made to the Listing Rules.

A.6.4  
H.(a)(b)

Before a Director or employee can trade in the shares of the Company, they have to seek the written approval of the Chairman of the Board or its delegate. They must also deal in the shares within five working days upon receipt of the approval.

### Relationship between the Board and the Management

The Company has in place the Terms of Reference for the Board of Directors and the Management, which set out clearly the respective responsibilities, accountabilities and contributions of the Board and the Management. The Terms also specify the types of decisions taken by the Board and those delegated to the Management and the instances where board approval is required before committing the Company. The Terms of Reference are available on the Company's website. The Management consists of the Executive Committee and other senior management members.

D.1.1  
D.1.2  
D.1.3  
I.(e)  
T.

In summary, the Board is collectively responsible for the management and operations of the Company and its subsidiaries. The business and affairs of the Group are under the direction of and should vest with the Board. The Company is headed by an effective Board, which assumes responsibility for its leadership and control and is collectively responsible for promoting and contributing to its success by directing and supervising its affairs in a responsible and effective manner. The Board accepts that it is ultimately responsible for the performance and affairs of the Group.

The Board is elected by and is ultimately accountable to the Shareholders and is the ultimate decision making body of the Group except for those matters reserved for Shareholders by the Articles of Association of the Company and the Listing Rules.

While the Board retains oversight responsibility, certain of the management and administration functions are delegated by the Board to the Management. The Board diligently monitors the Management's performance in that regard but responsibility for conducting the Company's day-to-day management of business rests with the Management. The Management is ultimately accountable to the Board.

### Directors and officers liability insurance policy

The Company has since around 2001 taken out a directors and officers liability insurance policy with a respectable insurer for liabilities arising out of activities from being Directors and officers of the Group. The policy is available for inspection by the Directors upon request. No claim has been made since the policy was effective.

A.1.8

## Board Committees

D.2.1 All our Board Committees have clear terms of reference. The findings, decisions and recommendations made at each meeting during the financial year have been reported back to the Board by the chairman of each Board Committee, except for the Risk Management Committee where such findings, decisions and recommendations are reported by the Director of Internal Audit and Management Services to the Audit Committee whose chairman in turn reports to the Board.

## Audit Committee

### Composition

C.3.2 The Audit Committee has been in operation since 13 October 1999. Committee members are all INEDs, a higher majority than that required by the Listing Rules. The Chairman of the Committee, Professor CHAN Yuk Shee possesses the appropriate related financial management expertise as required by Rule 3.10(2) of the Listing Rules. The complete independence of our Audit Committee is to ensure that our financial reporting system and internal controls are reliable. None of our Audit Committee members is a former partner of our existing auditing firm, PwC.

Representatives including the Engagement Partner of our external auditor, PwC, attended our Audit Committee meetings to answer any question that members of the Committee may have regarding their audit work. The Chairman and CEO, Vice-chairman, CFO and Director of Internal Audit and Management Services were invited to all the meetings of the Audit Committee to provide information, clarifications or explanations. Members of the management team were also invited when necessary. The attendance record of individual Committee members at the meetings are set out on page 124 of this Corporate Governance Report.

### Responsibilities

C.3.3 The Audit Committee is primarily responsible for reviewing and monitoring the relationship between the Company and its auditor, monitoring the integrity of the Group's financial information and overseeing the effectiveness of the Group's financial controls, internal control and risk management systems.

### Assistance from the Internal Audit and Management Services Department

C.3.6 The Audit Committee is well supported by the Director of Internal Audit and Management Services and its Department. The Director of Internal Audit and Management Services reports directly to the Audit Committee on a quarterly basis and has direct access to the Chairman of the Audit Committee.

C.3.3(e)(i) During the year ended 31 March 2014, the Committee held five meetings (more than twice a year as required in Code L.(c) Provision C.3.3(e)(i) of the CG Code), a summary of their work undertaken (including events considered up to the date of this Annual Report) is as follows:

- C.3.3(b) 1. review of the annual audit plan, communications plan, nature and scope of the audit and reporting obligations of the external auditor;
2. review of the terms of engagement letters with the external auditor, their independence confirmation, the effectiveness of the audit process and the audit and non-audit services undertaken by the external auditor;



## Corporate Governance Report

3. review of the management representation letters to be submitted to the external auditor, confirming, amongst other things, that the Company has maintained an effective internal control system; C.3.3(k)  
C.3.3(l)
4. review of the financial information of the Group including the annual and interim financial statements, unaudited quarterly operational updates for the first and third quarters before submission to the Board for approval, with particular focus on any changes in accounting policies and practices, major judgmental areas, significant adjustments, the going concern assumption, and compliance with accounting standards and regulatory requirements; C.3.3(d)  
(i) to (iv)
5. review of the internal audit function and its effectiveness; C.3.3(i)
6. review of the progress and updates of the Group's internal control system, and its effectiveness, covering all material financial, operational and compliance controls and fraud indicators; C.3.3  
(f)(g)(h)
7. review of the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function; C.3.3(g)
8. review of the progress and updates of the risk management process; C.3.3(f)
9. review of the Group's foreign currency and treasury policies;
10. review of the Group's financial and accounting policies and practices; and C.3.3(j)
11. recommending to the Board for approval of payments of a final dividend for the year ended 31 March 2013, an interim dividend for the six months ended 30 September 2013 and a final dividend for the year ended 31 March 2014.

During the year, the Audit Committee held two private sessions with the external auditor without any of the Executive Directors or the Management being present. Note 1 (iii)  
to C.3.3

All issues raised by the Audit Committee are addressed and/or dealt with by the relevant member of the management team and the work, findings and recommendations of the Audit Committee are reported regularly to the Board. During the year ended 31 March 2014, there was no disagreement between the Board and the Audit Committee regarding the external auditor and there was no issue of significant importance requiring disclosure in this Annual Report under the Listing Rules. C.3.5  
Note 4 to M

### Overseeing the Company's relations with the external auditor

The Audit Committee oversees the Company's relation with the external auditor through reviewing its annual audit service plan, engagement letters, constantly reviewing its audit fees and non-audit fees, reviewing its performance before recommending its re-appointment, meeting with the external auditor without the presence of the Executive Directors to discuss matters that the external auditor may wish to raise. C.3.3(a)  
C.3.7(b)  
Note 1(f)  
to C.3.3

C3.3(c) The Company has in place a Policy on Provision of Audit and Non-audit Services by the External Auditor to the Company setting out the types of audit and non-audit services that the Company may engage the external auditor to provide. Specific approval must be obtained from the Audit Committee for service not specified in this policy. Pursuant to this policy, the Company reviews twice a year the audit and non-audit services provided by the external auditor and the fees charged in order to ensure that their independence and objectivity can be maintained, in addition to reviewing the external auditor's own confirmation of independence.

C3.3(b)  
Note 1(ii)  
to C3.3

M. The fees paid to the Company's external auditor, PwC, for the year ended 31 March 2014 amounted to approximately HK\$3,748,000, comprising audit fees of HK\$3,164,000 and non-audit fees of HK\$584,000. The non-audit services consist mainly of tax advisory services, interim review, turnover certificate and transfer pricing analysis. Fees paid to other auditors were approximately HK\$602,000.

## Remuneration Committee

### Composition

L.(b) The Company had initiated a remuneration body in December 1999 and a Remuneration Committee was officially established in March 2000. The Chairman of this Committee is an INED and 3 out of 4 Committee members are INEDs, a higher majority than that required by the Listing Rules. The Chairman and CEO are invited to all meetings of the Committee. The attendance record of individual Committee members at the meetings are set out on page 124 of this Corporate Governance Report.

### Responsibilities

B.1.2(c)(i)  
L.(a) The Remuneration Committee is primarily responsible for determining the policy for the remuneration of executive Directors, assessing their performance and approving the terms and conditions of their service contracts, to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management and to make recommendations on the remuneration of NEDs.

### Assistance from Human Resources Department

B.1.1  
B.1.4 The Company's Human Resources Department assists the Remuneration Committee in obtaining up-to-date information of the prevailing market compensation packages of comparable companies in the market. These compensation packages are then used as a benchmark to ensure that the remuneration packages offered to Directors and senior management remain appropriate and competitive.

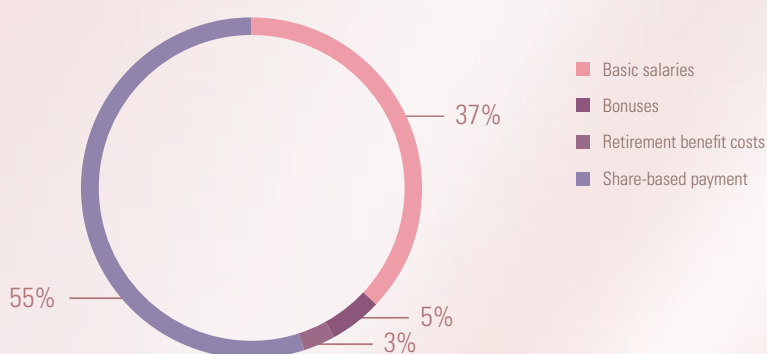
### Remuneration Policy for Directors and Senior Management

B.1.1  
B.1.2(a) The Company has in place a Remuneration Policy for Directors and Senior Management, establishing a formal and transparent procedure for developing the Company's policy and structure for the remuneration of all Directors and senior management, such that the remuneration packages offered by the Company are competitive, adequate (but not excessive) and in line with current market practices to attract, retain, motivate and reward our Directors and senior management. The Company will then have sufficient, experienced and competent manpower on board to achieve the Company's corporate goals and objectives.

## Corporate Governance Report

In particular, the remuneration package of employees and executive Directors comprises fixed and variable <sup>B.1.7</sup> components, ensuring an appropriate and balanced remuneration package that links Shareholders' interests with those of employees and executive Directors. The variable components in turn comprise performance based bonus and share options. Executive Directors will not receive any further director's fees. One of our executive Directors has a share-based payment. The exercise of the share options granted are in part subject to vesting periods ranging from 1 year to 3 years and the balance is subject to certain performance targets that must be achieved.

### Pay Mix of Executive Directors



Details of the share option scheme and details of the share options granted there under are set out on pages 142 to 148 of the Report of the Directors. We grant share options to our employees around the same time each year. During the past three years in 2011 to 2013, we granted share options to our employees in June. The vesting period is 3 years or is subject to certain performance targets that must be achieved. To enhance our transparency, we will publish an announcement immediately after options are granted.

In regard to non-executive Directors, their remuneration is determined with reference to that of companies of <sup>B.1.2(d)</sup> comparable business and scale. Since it is a more common practice for non-executive Directors' remuneration to be based on additional role being taken by each non-executive Director on the board committees, the Remuneration Committee proposed an adjustment to the remuneration plan of the non-executive Directors. The new compensation system of non-executive Directors, in particular that each non-executive Director is compensated based on his or her capacity and role in different board committee instead of receiving attending fee, would be considered in the Board Meeting on 26 June 2014. Under the new system, no additional meeting allowance would be paid to those acting as chairman of Audit Committee, Remuneration Committee and Nomination Committee for each of the committee meetings they preside in. Considering the comparatively heavier workload and responsibility of Audit Committee, its Chairman and members will receive an additional remuneration per annum. They will not receive any share-based payment, discretionary bonus or retirement benefits. <sup>B.1.2(e)</sup>

Particulars of the remuneration of all our Directors are set out in note 7 to the consolidated financial statements on <sup>B.1.5</sup> pages 185 to 188 of this Annual Report. The remunerations by band payable to those senior management members whose names appear on page 53 in the Biographical Information of Directors and Senior Management of this Annual Report are set out in note 7 to the consolidated financial statements on page 189 of this Annual Report.

<sup>L.(c)</sup>  
<sup>L.(d)(i)</sup> During the year ended 31 March 2014, the Committee held two meetings. A summary of their work undertaken (including events considered up to the date of this Annual Report) is as follows:

- <sup>B.1.2(d)</sup>  
<sup>B.1.2(e)</sup> 1. conducted an annual review of the remuneration structure and packages of our Directors by comparing the fees payable by companies in the retail and consumer goods industry and listed in Hong Kong. The meeting concluded that the remuneration package of our executive Directors should remain unchanged for the financial year 2014/15 and the remuneration package of the non-executive Directors for the financial year 2014/15 would be considered in the next meeting on 26 June 2014.
- <sup>B.1.2(b)</sup> 2. approved the proposed remuneration package of senior management (Grade 01 to 02) for the financial year 2014/15 based on their performance and the market practices.

## Nomination Committee

### Composition

<sup>A.5.1</sup>  
<sup>L.(b)</sup> The Board established the Nomination Committee on 31 March 2005. The Chairman of this Committee is an INED and 2 out of 3 Committee members are INEDs, a higher majority than that required by the CG Code. The member who is not an INED is the Vice-chairman and an Executive Director of the Board who has a good understanding of what the Company needs when it comes to nomination of Directors and senior management. The Chairman and CEO are invited to all meetings of the Committee. The attendance record of individual Committee members at the meetings are set out on page 124 of this Corporate Governance Report.

### Responsibilities

<sup>L.(a)</sup> The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive Directors, making recommendations on the appointment or re-appointment of Directors and determining the policy for nomination of Directors.

### Assistance from Human Resources Department

<sup>A.5.4</sup>  
<sup>B.1.1</sup> The Company's Human Resources Department assists the Nomination Committee in obtaining latest data as to the structure and composition of board and board committees of companies listed in Hong Kong. The data of those listed companies that are comparable to the Company are used as a benchmark to review and assess the structure and composition of the Board and its Board committees.

### Nomination of directors

The Committee has adopted:

1. the Nomination Policy, setting out the nomination criteria, procedures and process for nomination of Directors;
2. the Procedures for Shareholders to Propose a Person for Election as a Director (pursuant to the requirement of Rule 13.51D of the Listing Rules), providing transparency to the procedures by which Shareholders can nominate Directors; and



## Corporate Governance Report

3. the Board Diversity Policy, setting out the approach adopted by the Company to achieve diversity on the Board. A.5.6  
Please refer to the section “Board Diversity Policy” on pages 126 to 127 of this Corporate Governance Report L.d.(ii)  
for a detailed discussion of this matter.

During the year ended 31 March 2014, the Nomination Committee held three meetings. A summary of the work L.(c)  
undertaken (including events considered up to the date of this Annual Report) is as follows: L.(d)(ii)

1. reviewed the independence of Dr Thomas Leung following a connected transaction; A.5.2(c)
2. resolved that having reviewed the benchmarks of other listed companies in Hong Kong and considered the A.5.2(a)  
Company’s own needs, it was not necessary to change the structure, size and composition of the Board and its  
Committees;
3. reviewed and was satisfied that each of the INEDs was and remained independent during the financial years A.5.2(c)  
2012/13 and 2013/14 upon reviewing their annual confirmation of independence and upon an interpretation of  
the guidelines set out in Rule 3.13 of the Listing Rules. It is confirmed that they all continued to demonstrate  
strong independence of judgment and are free from any business or other relationship that could interfere with  
their ability to discharge their duties effectively; and
4. reviewed and recommended the re-appointment of Ms TAM Wai Chu Maria, Mr TAN Wee Seng and Ms LEE A.5.2(d)  
Yun Chun Marie-christine as directors of the Company.

### Executive Committee

The Executive Committee consists of all three Executive Directors. It provides leadership in the day-to-day running L.(a)  
of the Group’s business. Being part of the management team, the Executive Committee held meetings on a regular L.(b)  
basis. In the year ended 31 March 2014, six meetings were held. The attendance record of individual Committee L.(c)  
members at the meetings are set out on page 124 of this Corporate Governance Report.

The Management consists of the Executive Committee along with other senior management members. It is responsible for contributing to the success of the implementation of the corporate strategy and directions as determined by the Board from time to time. In doing so, the Management applies business principles and ethics that are consistent with those expected by the Board and Shareholders of the Company.

### Management meetings

In addition, the Executive Committee and the management team (comprising all departmental heads) meet regularly together to review, discuss and make decisions on financial and operational matters. In the year ended 31 March 2014, six management meetings were held which enhanced and strengthened cross departmental communications, coordination and co-operation within the Group. Members of the management team also gather on an informal basis, such as participating in off-site strategic meetings and team building activities to further enhance mutual understanding and empathy amongst themselves.



## Risk Management Committee

L.(a) The Risk Management Committee consists of all three Executive Directors. The attendance record of individual  
L.(b) Committee members at the meetings are set out on page 124 of this Corporate Governance Report. Please refer to page 135 of the Enterprise Risk Management Report for details of this Committee.

## Compliance with the Code Provisions and recommended best practices

G.(a) Throughout the year ended 31 December 2014 and up to the date of this Annual Report, the Company has applied the  
G.(b) principles of the Corporate Governance Code and in some instances complied with the recommended best practices, as well as complying with all the Code Provisions except Code Provision A.2.1 as discussed below.

## Chairman and Chief Executive Officer

A.2.1 The Company has deviated from Code Provision A.2.1 in that Dr KWOK Siu Ming Simon is both the Chairman and CEO  
G.(c) of the Company. The respective responsibilities of the Chairman and CEO, however, are clearly set out in the Terms of  
I.(h) Reference for the Chairman and the Chief Executive Officer, which are available on the Company's website. Given the  
J.(a)(b) Group's current stage of development, the Board considers that vesting the roles of Chairman and CEO in the same person facilitates the execution of the Group's business strategies and maximizes the effectiveness of its operations. The Board will nevertheless review this structure from time to time and will consider the segregation of the two roles at the appropriate time.

## Achieving better corporate governance

Corporate Governance enables the Board to provide constructive guidance and to monitor the performance and risks of the Group. The Board is well informed of all relevant business, operations, finance and governance matters of the Group on a regular basis.

A.1.6 Our Directors are always given complete, timely and accurate information to enable them to make informed  
A.2.2 decisions. The individual member of the management team responsible for the matter placed before the Board is  
A.7.2 available to provide further information or answer questions either in Board meetings or through telephone or written  
A.7.3 enquiries coordinated by the Company Secretary. All Directors have been supplied with contact details of our senior management by which Directors can contact them directly without hindrance when necessary. The Company has in place Guidelines for Directors to Obtain Professional Advice by which a Director can on an individual basis obtain professional advice at the Company's expenses in appropriate circumstances.

## Financial Reporting

C.1.2 Executive Directors are provided with a wide range of reports on daily, weekly and monthly intervals and are fully aware of the Company's latest performance, position and prospects. Non-executive Directors are provided with monthly financial updates to keep them apprised of the latest financial situation of the Company.



## Corporate Governance Report

All Directors are provided with financial information and relevant reviews and updates on the Group's performance each time they are required to approve financial or other matters. Where necessary, explanation and additional information are provided in a timely manner to enable the Board to make informed assessment. The Board is assisted by a group of dedicated employees who are qualified in the fields of accounting, law and public companies' disclosure requirements and who ensure that the information presented is balanced, clear and understandable. C.1.1  
C.1.5

The Directors acknowledge their responsibility for the preparation of financial statements that give a true and fair view of the Group's state of affairs, results and cash flow for the year. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. C.1.3  
Note 1  
to M.

With the assistance of our Finance and Accounting Department, which is under the supervision of the CFO, the Directors ensure that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards. In preparing the financial statements for the year ended 31 March 2014, the Directors: C.1.1

1. assessed the adoption of all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;
2. selected and applied consistently appropriate accounting policies;
3. made judgments and estimates that were prudent and reasonable; and
4. prepared the financial statements on the basis that the Company would continue as a going concern.

The Independent Auditor's Report on pages 156 to 157 of this Annual Report sets out the reporting responsibilities of PwC, the external auditor of the Company. C.1.3

Please refer to pages 41 to 42 under Management Discussion & Analysis of this Annual Report for the discussion of the strategy and business model for delivering the Company's objectives. C.1.4

### Discussion of strategies in the Board

Executive Directors would request in advance of the Board Meetings areas of major interest and concern that would require Board discussions. These have included the Mainland China market, Owned Brands, inventory management, development of markets outside of Hong Kong and Mainland China, marketing and logistics. Members of senior management are required to present to the Board comprehensively the strategic thinking and execution plans for discussions and deliberations. Senior management would then make amendments to strategies and action plans as appropriate to address issues that have been agreed. C.1.4

### Induction

A.6.1 Our Policy on the Induction of and Continuous Professional Development for Directors (which is available on the Company’s website) provides that to carry out their duties, Directors upon their appointment have to be adequately familiar and acquainted with the Company and its operation and business. As such, a comprehensive Induction Handbook for New Directors, containing relevant information with which Directors can equip themselves, is provided to Directors upon their first appointment. Arrangements may also be made for them to meet in person various personnel from the Company in order for the latter to discuss with and brief new Directors on topics that fall within their purview. Subsequent briefings are provided to the Directors as and when necessary.

Some of the topics in Induction Handbook include:

- Corporate profile, including vision and mission of the Company;
- Governance framework;
- Duties of directors; and
- Terms of Reference regarding Board and Board committees, and important policies of the Company.

### Continuous Professional Development

A.6.5 All Directors are required to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged three in-house trainings for the Directors during the year under review and up to the date of this Annual Report. We also circulate from time to time details of other relevant professional development courses and encourage Directors to participate at the Company’s cost. The Company updates the Directors of the Company’s latest developments by sending them “Sa Sa quarterly newsletters” and press releases, in addition to those required under the Listing Rules.

The Company has arranged the following in-house trainings for our Directors:

Date	Course
12 April 2013	“How to be an effective board” conducted by the Hong Kong Institute of Directors
16 August 2013	“Disclosure of Inside Information and IT Governance” conducted by PricewaterhouseCoopers
19 February 2014	“Driving innovation, value and performance for business success via IT governance” conducted by PricewaterhouseCoopers

The Company has devised a training record to assist Directors to record their trainings attended and they submit their respective signed training records to the Company on a quarterly basis.

## Corporate Governance Report

The table below shows the Directors' participation in continuous professional development during the year under review and up to the date of this Annual Report:

### Participation of Directors in Continuous Professional Development

L(i)

	Type of Continuous Professional Development		
	Attending induction, director's training, seminars or conferences relating to directors' duties or other relevant topics	Reviewing legislative or regulatory updates	Reviewing information relevant to the Company or its business, or attending corporate events or shop visits
Dr KWOK Siu Ming Simon	✓	✓	✓
Dr KWOK LAW Kwai Chun Eleanor	✓	✓	✓
Dr LOOK Guy	✓	✓	✓
Ms LEE Yun Chun Marie-Christine	✓	✓	✓
Professor CHAN Yuk Shee	✓	✓	✓
Dr LEUNG Kwok Fai Thomas	✓	✓	✓
Ms TAM Wai Chu Maria	✓	✓	✓
Ms KI Man Fung Leonie	✓	✓	✓
Mr TAN Wee Seng	✓	✓	✓

### Participation in related external bodies, organizations, conferences and seminars

The Company encourages our Directors, senior management and colleagues to actively participate in relevant external bodies and organizations and attend relevant seminars and conferences to keep abreast of recent developments. Through active participation, valuable knowledge will be gained and more importantly corporate culture can be cultivated. Some of our Directors, senior management and colleagues are members of the following professional, public service or government bodies, and some also serve in various committees and panels belonging to these bodies. They can voice out their concerns and opinions on issues or regulatory changes through participation in these bodies:

- Hong Kong Institute of Certified Public Accountants
- Law Society of Hong Kong
- The Institute of Internal Auditors
- The Hong Kong Institute of Chartered Secretaries
- The Hong Kong Investor Relations Association
- The Cosmetic & Perfumery Association of Hong Kong
- Hong Kong Retail Management Association
- The Hong Kong Institute of Directors
- various advisory committees of the Hong Kong Government or other public bodies

Participation by Directors in committees and panels of these professional, public service or government bodies include:

- President, Councillor and Honorary Life President of the Cosmetic & Perfumery Association of Hong Kong;
- Vice-chairman of the Quality Tourism Services Association Governing Council;
- Honorary President and a Council Member of The Hong Kong Federation of Women;
- Membership of the Professional Accountants in Business Leadership Panel of Hong Kong Institute of Certified Public Accountants;
- Vice Chairman of the Hong Kong Retail Management Association;
- Membership of the Statistics Advisory Board and the Energy Advisory Committee of the Government of the Hong Kong Special Administrative Region;
- Deputy to the National People's Congress of The People's Republic of China; and
- Honorary Secretary of Wu Zhi Qiao (Bridge to China) Charitable Foundation.

The topics of the courses, conferences and seminars attended by our Directors during the year include:

- 2013 New Insider Information Disclosure and Cases organized by CFN Lawyers;
- Causes of Fraud and Overview organized by Ernst & Young;
- Training on Connected Transaction, Inside Information and disclosure on environment and social matters organized by Sidley Austin LLP;
- INED Forum organized by KPMG;
- HKIoD Speaker Luncheon Meeting (Governance, Conduct & Regulation) organized by Hong Kong Institute of Directors;
- Professional Talk on Directors' and Officers' Liabilities for Negligence organized by Hong Kong Institute of Directors;
- Directors' Symposium 2013 organized by Hong Kong Institute of Directors;
- Finance for Directors organized by Hong Kong Institute of Directors;
- Updates on the new statutory regime for disclosure of inside information organized by Charltons Solicitors;
- Measurement of IR Impact organized by Hong Kong Investor Relations Association;
- How does the new generation of online IR help? organized by Hong Kong Investor Relations Association;
- Improving Governance through Board Diversity organized by Hong Kong Institute of Directors;
- ESG Reporting & Listing Compliance Update organized by Hong Kong Exchanges and Clearing Limited;
- The Role of Independent Non-Executive Directors (INEDs) organized by Institute of Chartered Accountants in England and Wales;
- Disclosing Key Areas of Corporate Governance – Internal Controls & Audit Committees by the Hong Kong Institute of Certified Public Accountants; and
- Crisis Management in the 21<sup>st</sup> Century for Listed Company Directors organized by Hong Kong Institute of Directors.

# Corporate Governance Report

## Time Commitment of Directors

NEDs are required to keep a record of their time spent in the affairs of the Company. They have also been reminded <sup>A.6.3</sup> that they must take an active interest in the Company's affairs, obtain a general understanding of its business and follow up anything untoward that comes to their attention. During the year under review, the Board conducted a review of the time commitment of Directors and received confirmations from each of the Directors and noted that they have given sufficient time and attention to the affairs of the Company.

At each Director's first appointment and subsequent re-appointment, the Director is required to disclose to <sup>A.6.6</sup> the Company the number and nature of offices held in public companies or organizations and other significant commitments as well as the time involved. The Director is also required to notify the Company, and in certain cases, seek the consent of the Board, immediately whenever there are changes to the offices and commitments already disclosed.

Individual attendance records of our Directors at Board and Board Committees Meetings during the year ended 31 March 2014, demonstrating satisfactory attendance, are set out below. Please also refer to the charts below for the duration of our meetings and the volume of papers reviewed at such meetings:

## Directors' Attendance at Board meetings, Board Committee meetings and AGM<sup>(a)</sup>

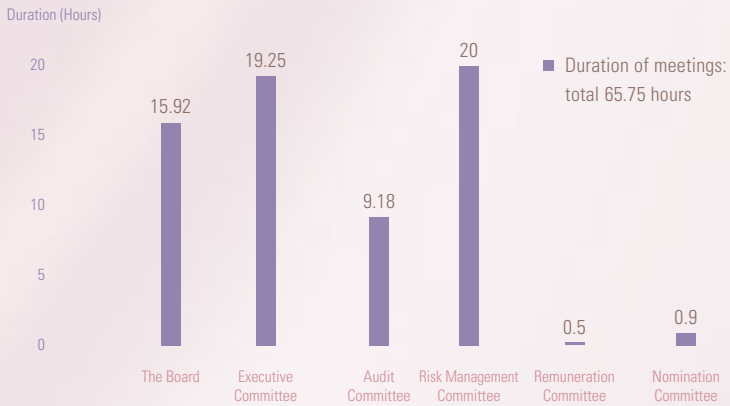
I.(b)(c)(d)  
L.(c)

Name of Directors	Board meeting	Executive Committee meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Risk Management Committee meeting	Annual general meeting
<b>Executive Directors</b>							
Dr KWOK Siu Ming Simon	6/6	6/6	5/5 <sup>(b)</sup>	2/2 <sup>(b)</sup>	3/3 <sup>(b)</sup>	5/5	1/1
Dr KWOK LAW Kwai Chun Eleanor	6/6	5/6	5/5 <sup>(b)</sup>	2/2	3/3	3/5	1/1
Dr LOOK Guy	6/6	5/6	5/5 <sup>(b)</sup>	N/A	N/A	4/5	1/1
<b>NEDs</b>							
Ms LEE Yun Chun Marie-christine	6/6	N/A	N/A	N/A	N/A	N/A	1/1
<b>INEDs</b>							
Professor CHAN Yuk Shee	6/6	N/A	5/5	N/A	N/A	N/A	1/1
Dr LEUNG Kwok Fai Thomas	6/6	N/A	5/5	2/2	3/3	N/A	1/1
Ms TAM Wai Chu Maria	6/6	N/A	5/5	2/2	3/3	N/A	1/1
Ms KI Man Fung Leonie	6/6	N/A	5/5	2/2	N/A	N/A	1/1
Mr TAN Wee Seng	6/6	N/A	N/A	N/A	N/A	N/A	1/1
<b>Total No. of Meetings Held</b>	<b>6</b>	<b>6</b>	<b>5</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>1</b>
<b>Average Attendance Rate<sup>(c)</sup></b>	<b>100%</b>	<b>88.9%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>80%</b>	<b>100%</b>

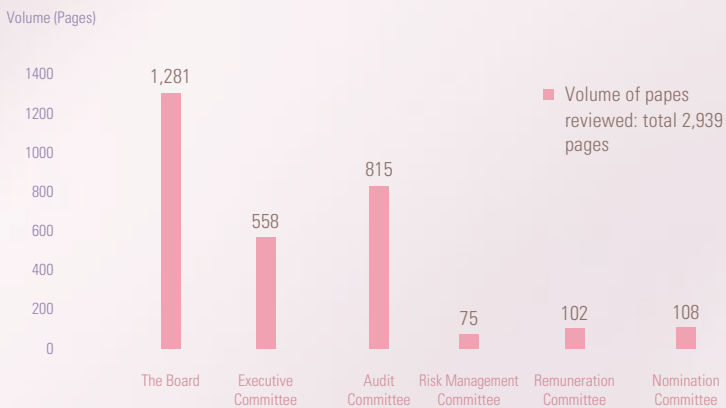
Notes:

- The figure after the slash is the number of meetings which the Director was required or invited to attend during the period under review.
- Attended as an invitee only.
- Exclude the attendance of those participants who attended as invitees.

### Duration of meetings



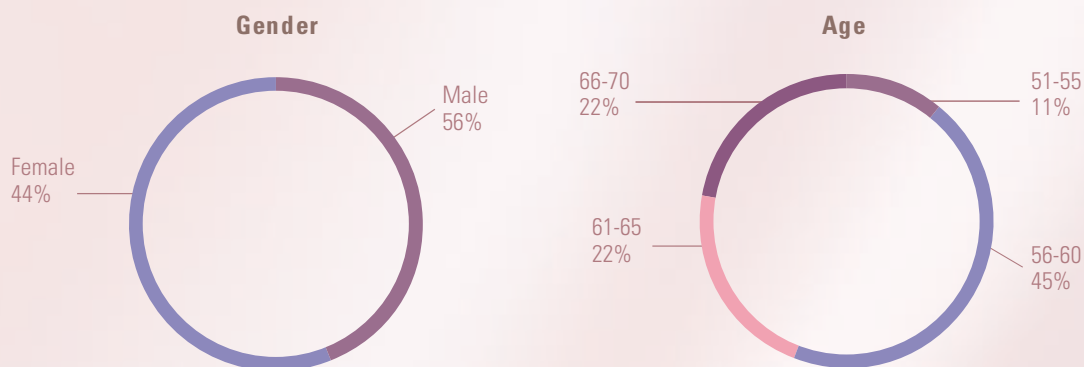
### Volume of papers reviewed



### Board Diversity

A.6.7 Our Board is composed of members from a diverse background. We excel in gender equality as female Directors account for 44% of the whole Board. Our CFO and an INED is a qualified accountant. Another INED is a qualified barrister. Our Chairman and Vice-chairman received numerous prestigious awards, recognizing their achievements in entrepreneurship. The Chairman of our Audit Committee who is an academic in the fields of business and finance was the president of a local university. Four Directors have experience sitting on the boards of other companies listed on Stock Exchange of Hong Kong or New York Stock Exchange. Our Directors have extensive experiences in retail business, finance and accounting, business strategy, management consultancy, communications and marketing, branding, advertising, and exposure or experience in various countries including China, etc. They are members, or committee or panel members of various professional or industry bodies, public service or government bodies or charities. Our Directors bring a wealth of diverse experience to the board room, which is conducive to the growth of the Company over the years.

## Gender and Age distribution of our Board Members



Our Chairman, Dr KWOK Siu Ming Simon joined the 30% Club as a member to advocate board diversity. Being an outreach arm of the Women's Foundation, the 30% Club is a group of chairmen and business leaders who are committed to bringing more women onto Hong Kong corporate boards. Below was a quote from Dr Kwok on board diversity:

*“Women have been at the very heart of Sa Sa since we began operations some 35 years ago. One of our two founders, Ms Eleanor Kwok (Vice-chairman), is a capable woman. Women account for 44% of the board and 59% of our senior management. The strong representation of women is reflective of and supports the composition of our customer base. We have a natural and innate inclination to listen to and respect the voices of women. They possess a wealth of knowledge, unique thinking, expertise and skills that the company can tap into. And in many ways, they are the driving force behind Sa Sa’s success. We would like to set a good example to other companies to strive for gender diversity in the workplace, in senior management and in the boardroom which we believe will be conducive to the success of their business.”*

### Board Diversity Policy

Under the amendments to the Corporate Governance Code, there is a new code provision on the Company to formulate a Board Diversity Policy. Pursuant to such amendments, the Company formulated the Board Diversity Policy and revised the Terms of Reference for the Nomination Committee, which was approved by the Board in August 2013 and posted on the Company’s website. <sup>A.5.6 L(d)(iii)</sup>

The Company recognizes and embraces the benefits of having a diverse Board with a view to enhancing its effectiveness and achieving a high standard of corporate governance. The Company also sees diversity as an essential element in maintaining a competitive advantage and contributing to the attainment of the strategic objectives and sustainable development of the Company.



The Company believes that a diversity of perspectives can be achieved through consideration of a number of factors, including without limitation, gender, age, cultural and educational background, professional experience, talents, skills, knowledge, length of service and other qualities of Directors.

These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately having regard to the Company's own business model and specific needs. The ultimate decision of all Board appointments should be based on meritocracy and the likely contributions that the selected candidates will bring to the Board.

### Risk Management and Internal Controls

C.2.4(c)  
S.(b) The Board is accountable for overseeing the Group's risk management and internal control systems and for reviewing its effectiveness, while the management and other personnel are responsible for implementing and maintaining a robust system of internal controls that covers governance, compliance, risk management, financial as well as S.(a)(i) operational controls to safeguard the Group's assets and stakeholders' interests. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute assurance of the following:

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


C.2.4(a) The Board has delegated to the Executive Committee the responsibility to design, operate and monitor a suitable system of internal controls for identifying and evaluating the risks and probable exposures faced by the Group. The Executive Committee is accountable to the Board for providing assurance on managing and monitoring the system of risk management and internal controls.

### Governance and Ethical Business Practice

The Group has enforced ethical business practice and demonstrated commitment to effective governance, setting the right tone at the top for internal controls. A whistleblowing system is in place which facilitates and encourages reporting in good faith of any suspected improprieties or wrongdoings without fear of reprisal. For the year ended 31 March 2014, four incidents were reported through the whistleblowing channel and investigations were conducted independently by the Internal Audit and Management Services Department ("IAMS Department"). The results were reported to the Executive Directors and Audit Committee and disciplinary actions were taken accordingly. In addition to the whistleblowing policy, conflict of interest policy and gifts and entertainment policy are in place to provide employees with proper guidelines and mechanism for declaration. In order to enable the Group to evaluate and manage fraud risks in a more systematic and proactive approach, the IAMS Department is developing a fraud mitigating program which will be incorporated as an integral part of the Group's risk management structure to continuously manage and mitigate fraud risks.

As part of the fraud mitigating program to inculcate and promote ethical and risk awareness throughout the Group, induction training and refresher sessions on key corporate policies, risk management and internal controls are provided to new and existing employees.

More details regarding the Code of Conduct are set out on page 130 of this Annual Report.



## Corporate Governance Report

### Risk Management Framework

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

C.2.3(a)

C.2.4(b)

Details of the ERM System and process are set out in the Enterprise Risk Management Report on pages 135 to 140 of this Annual Report.

### Quality Management System

The Group has refined and formalized retail and e-commerce operational policies, procedures and working instructions, benchmarked against the International Organization for Standardization ("ISO") based Quality Management System ("QMS") to standardize workflows and documentation. QMS enhances operation effectiveness, efficiency and control processes in achieving business goals and to enable scalability in accommodating business growth and mitigating operation risks.

For the year ended 31 March 2014, Sa Sa dot Com Limited duly received ISO 9001: 2008 certification for the provision of e-commerce services for cosmetic products and has appointed an independent ISO certification organization to carry out surveillance audit to ensure its effectiveness, efficiency and conformity. The Group is fully committed to quality management and will continue taking steps to attain ISO accreditation for major business units in order to promote the application of the standard throughout the organization. Sharing sessions for department heads are held to facilitate their understanding on the potential benefit and challenge before implementing the projects. We also organize ISO 9001 training courses and sharing session for staff of selected business units for ISO accreditation and they are supported by the in-house Quality Management team and the external ISO consultant. Management review meetings are regularly held to evaluate the ISO implementation progress and effectiveness.

### Internal Audit Function

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

C.3.3(i)

S.(a)(iii)

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

To accommodate continuous business growth, the Group will further invest resources in both China and Malaysia internal audit teams to strengthen internal control quality and effectiveness.

### Internal Audit Activities

C.2.3(b)  
S.(a)(v) The IAMS Department adopts a risk-management based approach in developing the annual audit plan and aligns to the enterprise risk management framework. Audit activities are identified, prioritized and scoped based on risk assessment, which is a dynamic and continuous practice, to cover business activities with material risks across the Group. The Audit Committee reviews and approves the annual audit plan and all major subsequent changes made. Significant financial, operational, compliance and fraud risk areas are further assessed during individual audit engagement to evaluate control effectiveness and mitigation measures taken by management.

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

C.2.3(c)  
C.2.4(d)

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

In support of e-commerce business growth, the Group had engaged independent IT consultants to perform online and mobile website penetration tests, assisted management in assessing and ascertaining the effectiveness of IT network infrastructure and corresponding information security controls are adequately in place. The Group recognizes that information technology has become more integral to its daily operations and activities and therefore is critical to its sustainability and growth. The IAMS Department will be developing an IT risk register and IT risk management is integrated in the Group's risk management structure.

### Review of Risk Management and Internal Control Effectiveness

C.2.1  
Note 3 to M  
S.(a)(vi)  
S.(a)(vii)  
S.(a)(viii)  
S.(a)(ix) Through the Audit Committee, the Board has conducted reviews of the effectiveness of the Group's risk management and internal control system for the year ended 31 March 2014, covering all material financial, operational and compliance controls, and considered the Group's risk management and internal control system effective and adequate. There were no suspected material irregularities found or significant areas of concern identified during the year that might affect Shareholders.

C.2.2 The Audit Committee has reviewed the adequacy of resources, qualifications, experience and training programs of the Group's accounting and financial reporting staffs and considered that the staffing is adequate and the staffs are competent to carry out their roles and responsibilities.



## Corporate Governance Report

### Monitoring latest regulatory updates

To establish a robust governance system, the Company keeps all Directors, management and employees apprised of the latest updates on various new legislative amendments and regulatory guidelines such as “Listing Rule amendments to the Corporate Governance Code and Corporate Governance Report relating to board diversity”, new amendments to “Trade Descriptions (Unfair Trade Practices) (Amendment) Ordinance”, “Personal Data (Privacy) Ordinance” and “Competition Ordinance”. The Company diligently reviewed the contents of the new legislations, conducted detailed discussions with relevant departments concerned, and prepared or updated appropriate guidelines and policies to ensure due compliance with all these recent amendments. We have reviewed and updated the Company’s privacy policy and customer membership forms so that they comply with the amended the Personal Data (Privacy) Ordinance.

The Trade Descriptions (Unfair Trade Practices) (Amendment) Ordinance which prohibits unfair trade practices in consumer transactions became effective on 19 July 2013. We have reviewed our practices and implemented all necessary actions to comply with the new requirements. Directors have also been advised of the Amendment Ordinance, the Enforcement Guidelines and the possible impacts on our industry and business. Our in-house legal counsel has discussed and explained through meetings and presentations the new requirements of the Ordinance to our frontline shop operations managers and supervisors.

For the amendments to the Corporate Governance Code which came into effect on 1 September 2013, there is a new <sup>A.5.6</sup> code provision on the Company to formulate a Board Diversity Policy. Please refer to the section “Board Diversity Policy” on pages 126 to 127 of this Corporate Governance Report for a detailed discussion of this matter.

Since July 2013, we have incorporated a training session in orientation classes to educate our new employees on various aspects of corporate governance.

Our Human Resources Department has continued to invite Independent Commission Against Corruption and Equal Opportunities Commission to give talks to our employees, educating them about prevention of corruption, sex discrimination and family status discrimination respectively.

The Company continued to monitor the latest developments in the regulatory environment, such as the new Competition Ordinance, amendments to the Trade Description Ordinance and Producer Responsibility Scheme on glass beverage bottles, which will affect the business of the Company in the future.

### Code of conduct

The Company is committed to maintaining high standards with regard to behaviour at work and in all its working practices.

The Whistleblowing Policy of the Company (which is available on the Company’s website) provides that employees may, in confidence, report serious concerns about malpractices or illegal acts that they become aware of directly to the Chairman of the Audit Committee. Proper arrangements are in place for the fair and independent investigation of all alleged misconducts for appropriate follow-up actions.

c.3.8 The Company also has various written policies, such as Conflict of Interest Policy, Gifts and Entertainment Policy and Guidelines on Prevention of Bribery Ordinance (which are all available on the Company's website), setting out the standards of conduct that our employees are required to follow. In particular, pursuant to the Gifts and Entertainment Policy, employees of grade 4 or above are required to declare to the Company whether they have received any gift each year. Or otherwise a negative statement is required to be made by them to confirm that they have not accepted gifts, entertainment, travel-related benefits provided by suppliers, customers, agents or other business associates having business relationship with the Group.

Pursuant to the Equal Opportunities Policy, the Company is committed to equal opportunity in employment and will not discriminate against any employee on the grounds of sex, pregnancy, disability, race, marital status or family circumstances.


### Transparency



#### Investor relations – candid disclosure and two-way communications

While we are not yet in a position to follow the recommended best practice in reporting our results on a quarterly basis, we endeavour to provide frequent updates to our shareholders and potential investors, announcements we made during the year include:

1. sales performance of the retail business in Hong Kong and Macau during the Chinese New Year;
2. sales performance of the retail business in Hong Kong and Macau during the Labour Day Holiday;
3. sales performance of the retail business in Hong Kong and Macau during the National Day Golden Week Holidays; and
4. unaudited operational update for the first and third quarters.



## Corporate Governance Report

The Company's Chief Executive Officer, Chief Financial Officer and Director of Corporate Communications and Investor Relations are responsible for investor relations. The Company has in place a Shareholders' Communication Policy (which is available on the Company's website), setting out the aims and practices of the Company to have a two-way communication with Shareholders, individual and institutional investors, and the investment community at large. Please see the Investor Relations Report on pages 90 to 104 of this Annual Report for details of the communication platforms that the Company uses to maintain an ongoing dialogue with Shareholders and investors. <sup>A.2.8  
E.1.4</sup>

The Director of Corporate Communications and Investor Relations has been invited to report to the Board, so that the voices and opinions of our shareholders and the investment public can be brought into the board room for consideration and discussion. We have made this a regular item in our annual schedule, so that our Directors can be updated of our investor relations periodically and a two-way communication can be maintained.

Contacts are made with shareholders identified under Section 329 of the Securities and Futures Ordinance. We have revamped our corporate website to make it more user-friendly.

### Other shareholders' rights

Pursuant to rule 13.51D of the Listing Rules, the Company has published the procedures for Shareholders to propose <sup>0</sup> a person for election as a Director on its website. The document "Shareholders' Rights" (which is available on the Company's website) advises Shareholders of the following rights:

- How Shareholders Can Convene an Extraordinary General Meeting;
- Procedures for Shareholders to Put Enquiries to the Board; and
- Procedures for Shareholders to Put Forward Proposals at Shareholders' Meetings.

### Communication with employees

The Company aspires to have a strong corporate governance culture within the whole organization. Supported by the senior management, the Board has taken the lead in enforcing a strong corporate governance framework. The good culture can then cascade from the top throughout the organization. With a strong vision and strategies in mind, and clearly defined procedures and controls in place, our employees will become disciplined and understand how to conduct their day-to-day business properly and with accountability and responsibility. Over time, the corporate governance framework becomes deeply ingrained in the mind of our directors and employees, it will become their culture and way of thinking. The corporate governance framework reflects the Group's mission of Making Life Beautiful for all of our stakeholders. It enables the Board, the management and employees to operate effectively and efficiently, making us accountable to all of our stakeholders, ensuring transparency and making our business strong and sustainable.

### Our recognition by the Hong Kong Management Association

Our Group received its latest honor of the "Citation for Corporate Governance Disclosure Award" in the "2013 Best Annual Reports Awards" organized by the Hong Kong Management Association ("HKMA"). The HKMA Best Annual Reports Awards competition has been held annually since 1973 to encourage the publication of accurate, informative and well presented reports and accounts for shareholders, stakeholders, employees and the general public. It recognizes and honors companies and organizations for their achievement in producing such reports. Our sound corporate governance and good disclosure of corporate information, as recognized by different stakeholders, is further cemented by the "Citation for Corporate Governance Disclosure Award". This accolade is a recognition of our Group's professionalism by the communications industry. Looking into the future, our Group will continue to uphold high standards of its investor relations practices, to maintain timely, effective and transparent bilateral communication, and to upkeep its quality and long-term relationships with the investment community.

## Ongoing and continuous efforts in strengthening our culture

Corporate governance is the foundation of how our Group determines strategic directions and executes them. Maintaining a balance between achieving our objectives and risks, it involves performance as well as compliance. As such, it can only be effective if it is built into our corporate culture, allowing us to align the interests of all our stakeholders. Our environmental and Social Governance efforts are very much part of this effort. In the fiscal year 2014/15, we will continue to reinforce our corporate governance culture, so that it permeates the entire organization. The departments concerned will maintain a constant dialogue with colleagues and organize discussion sessions, so that they can be made aware of and understand the policies, procedures and practices that are in place to maintain a strong and sustainable culture of corporate governance. We will continue to benchmark Corporate Governance best practices for the purposes of enhancing our own practices.

## Other Disclosures

### Annual General Meeting

- E.1.2 R.(b) The chairman of the Board attended the AGM held on 22 August 2013. The chairman of each Board Committee was also present and available to answer questions at the AGM.
- E.1.2 The Company Secretary, Group Financial Controller, Director of Corporate Communications and Investor Relations and other selected members from the Company also attended the AGM together with our external auditor, PwC to answer any question from Shareholders. When all the businesses on the agenda were dealt with in the AGM, there was a Questions and Answer session where Shareholders' questions and proposals were put to the Board and members of the management. These were then carefully considered and where appropriate, acted upon. All Directors treasure the opportunity to canvass the views of the Shareholders in AGMs held annually.
- E.2.1 All voting at our general meetings has been conducted by poll since 2009. The detailed voting procedures are explained at the commencement of the meetings by a representative of our Hong Kong branch share registrar and Shareholders are invited to raise questions relating thereto immediately after the explanation or at any time throughout the proceedings of the meeting.
- E.1.3 The Company arranged for the 2013 AGM notice including the accompanying circular to be sent to Shareholders about 28 clear business days before the meeting, i.e. well above the requirement of 20 clear business days under Code Provision E.1.3, so that Shareholders can plan well ahead to attend our AGM. For the past six years, the AGM notice was on average sent 36 clear business days before the meeting.
- E.1.1 In the AGM, a separate resolution was proposed for each substantial issue, including the re-appointment of each of the two independent non-executive Directors.
- R.(b) The last AGM was held at 3rd Floor, Gold Mark Plaza, 502 Hennessy Road, Causeway Bay, Hong Kong. Particulars of the major items considered at the AGM were set out in the circular of 16 July 2013. Shareholders who were not available to attend could appoint a proxy to attend and vote on his/her behalf. Shareholders representing 2,282,880,284 shares voted in the AGM, being 80.6% of the total number of the issued shares of the Company at the time (2,832,064,728 shares).



## Corporate Governance Report

Each of the proposed ordinary resolutions was passed by more than 86% of the votes cast by way of poll at the AGM. The major items discussed and the percentage of votes cast in favour of the resolutions were as follows:

1. receiving the audited accounts and reports of Directors and independent auditor for the year ended 31 March 2013 (99.99%);
2. payment of a final dividend of 5 HK cents and a special dividend of 9 HK cents for the year ended 31 March 2013 (99.99%);
3. re-election of retiring Directors (99.33%, 97.65%, 99.88%, 89.80%, and 99.88%);
4. authorizing the Directors to fix the remuneration of the aforesaid directors (99.99%);
5. re-appointment of external auditor (99.99%);
6. grant of general mandates to Directors to issue additional shares, to purchase the Company's shares and to add the aggregate nominal amount of shares which are purchased or otherwise acquired under the general mandate (86.55%, 99.99% and 88.81%);
7. adopting "莎莎國際控股有限公司" as the dual foreign name of the Company (99.99%); and
8. authorising the Directors to do all such acts, deeds and things and execute all documents they consider necessary or expedient to give effect to the adoption of dual foreign name of the Company (99.99%).

Pursuant to Rule 13.39(4) of the Listing Rules, the results of the poll were released by way of an announcement published on the Company's website and HKEx news website immediately after the AGM on the same date.

### Company Secretary

The Company Secretary has always been a full time employee who has knowledge of the Company's affairs since the Company was listed in 1997. The Company Secretary attends all Board meetings and ensures that all Board procedures have been followed. The appointment of the current Company Secretary, Mr Tsang Sai Chung Kirk, was approved by the Board in August 2012. The Company Secretary reports to the Chairman of the Board. Mr Tsang is currently an Independent Non-executive Director of Warderly International Holdings Limited. Mr Tsang graduated from and holds a Bachelor's Degree of Arts and a Postgraduate Certificate in Laws from The University of Hong Kong. He is a qualified solicitor in Hong Kong and has 20 years' legal experience in private practice and as an in-house counsel for various listed companies. He has attended various professional trainings during the year, which exceed the requirements of the Listing Rules.

Our Directors have access to the advice and services of the Company Secretary at all times. All Directors have contact details of Company Secretary and can have private and unfettered access to the Company Secretary to discuss, seek advice and obtain information on any matter that they wish to raise.

### Public float capitalisation

As at 31 March 2014, the public float capitalisation of the Company is HK\$6,212,731,233, representing approximately 35.13% of the total issued shares. The Company has complied with the minimum public float requirement under the Listing Rules.



# Enterprise Risk Management Report

Effective risk management is fundamental and essential to the achievement of the Group's strategic objectives. The ERM System has been in place since 2010 which adopts a systematic and disciplined approach to provide clear responsibility and accountability structures for risk management, and consists of three major components comprising risk governance, risk infrastructure and oversight and assignment of risk ownership.

The Board is responsible for determining the Group's risk profile within risk appetite which defines the acceptable tolerance levels for key risks, overseeing the Group's risk management framework, reviewing the Group's key existing and potential risks and respective mitigation strategies and ensuring risk management effectiveness. The RMC holds regular meetings to review the management of these risks and effectiveness of mitigation strategies and controls and actively identify the positive business opportunities in relation to these risks.

## **Risk Management Committee**

The Group formed the RMC in 2009, comprising all the three Executive Directors as part of the Group's commitment to further enhancing its control environment. The RMC has written terms of reference which set out the responsibilities of its members and are available on the Company's website. It held six meetings plus one workshop to re-assess and prioritize the top 10 priority risks for the year ended 31 March 2014. The RMC assists the Board in overseeing and monitoring the implementation and effectiveness of the ERM framework and processes, approves risk profile, reviews risk responses, and formulates a risk management strategy for the Group.

## **Enterprise Risk Assessment**

Risk assessment is the identification and analysis of existing and emerging risks to form a basis for determining how risks are managed in terms of likelihood and impact. Risk areas are categorized into strategic, operational, financial and compliance perspectives for further assessment and management. A bottom-up and top-down approach is utilized to ensure a holistic risk management process. The bottom-up approach is supported by cross-functional workshops with line management to identify and prioritize risks while the top-down approach reviews and assesses if risks are comprehensively identified and prioritized, and properly addressed by line management regarding the achievement of the Group's objectives. At the Group level, a Group risk register was compiled since the inception of the ERM System and has been regularly monitored and updated by taking emerging risks into account for continuous risk assessment purpose.

The Group has in place the Risk Control Self-Assessment ("RCSA") program, requiring overseas business units to periodically assess the adequacy and effectiveness of risk management and internal controls for ongoing risk assurance purposes. This enhances the Group's risk and control framework effectiveness.

# Enterprise Risk Management Report

## Enterprise Risk Management Process

The ERM System uses risk indicators and red flags to monitor the top 10 selected priority risks. The setting of risk indicator aligns with the risk tolerance, representing the risk magnitude the Group is willing to take in achieving its business goals. Additionally, a balance scorecard system has been implemented, incorporating key performance indicators for key business units to measure their progress in achieving business goals. The balance scorecard system and the ERM System are harmonized, allowing the Group to monitor a comprehensive set of risks at the same time for better business performance and risk management.

The RMC meetings are held at least on a quarterly basis to review and discuss risk management progress of each of the top 10 priority risks and to provide continuous pulse of the business environment and monitor changes. Risk owners are required to take mitigating actions to address these risks. Such actions are integrated in the day-to-day activities and their effectiveness is closely monitored by the red flag mechanism which is used as a basis for reporting and discussion in the RMC meetings. If there are any risk indicators highlighted by red flags, responsible risk owners are required to re-assess the existing remedial action plans and promptly propose new ones if necessary. Being an integral part of the Group's ERM to provide assurance on the effectiveness of the Group's risk management process and system of internal control, the IAMS Department carries out continuous assessment on the risk management progress and risk responses submitted by risk owners. The IAMS Department facilitates the RMC in reporting significant risks, material changes and the associated mitigating actions and highlights to the Audit Committee quarterly to enhance the accountability and quality of the risk management process.

## Management of Key Risks

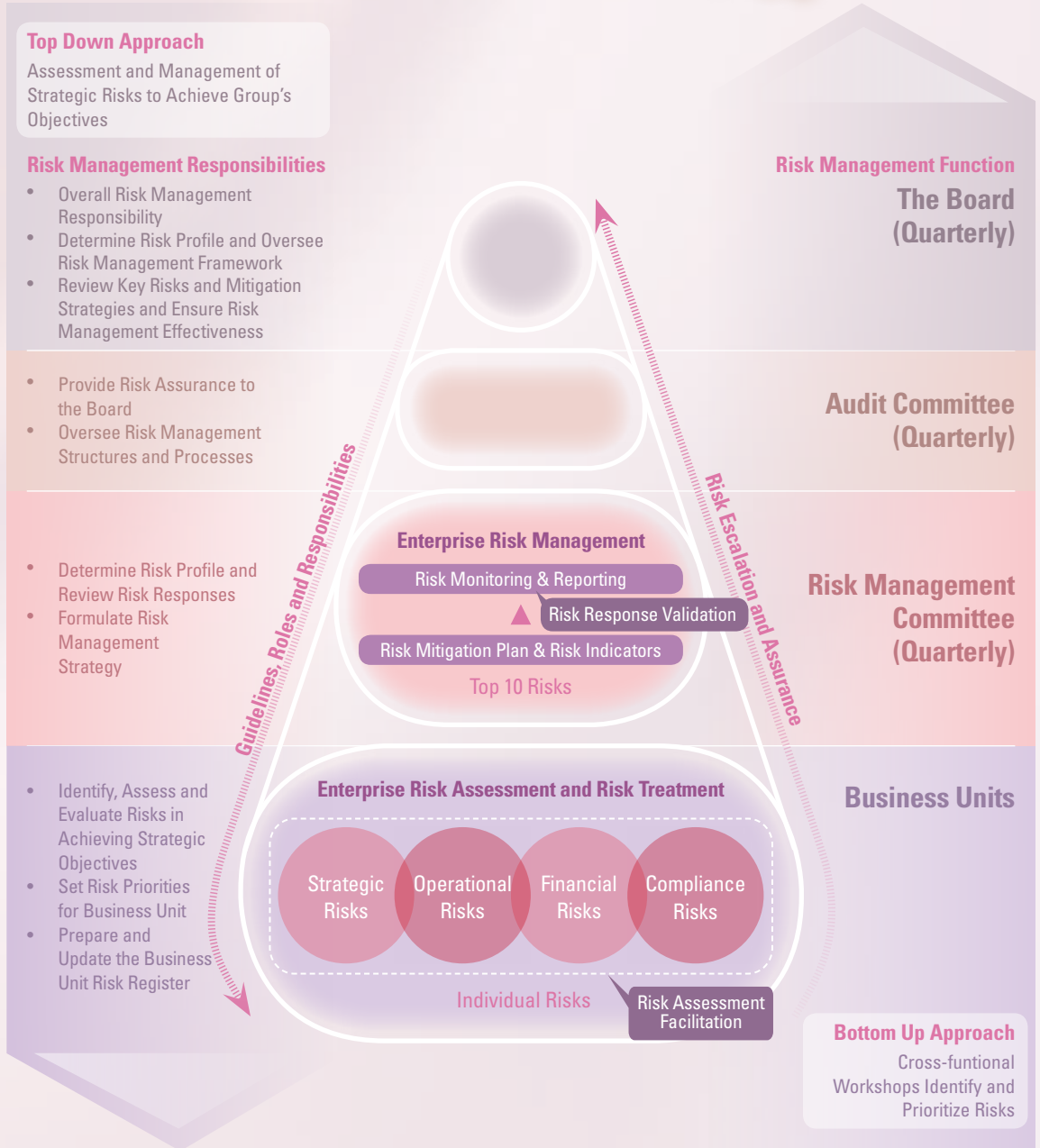
As the Group operates in a highly competitive landscape, continuous and effective risk management is vital towards achieving high performance and accomplishing business targets. Some key risks currently being managed are:

### Online Threats and Opportunities

The Group has ranked online threats and opportunities as the number one risk. The exponential growth of online activities, including social, marketing and commerce reflects and further drive changes in consumer and business behavior and threatens the entire competitive landscape. There is also a trend towards Online and Offline integration that drive both online and offline businesses to provide multi channel services to consumers. The shift in consumer towards more usage of smartphones also drives changes within the online arena as well as changes to the payment at brick and mortar Points of Sale. The Group will allocate more resources to its online operations to capitalize on e-commerce opportunities; this would include increasing internal resources and engaging external resources and expertise to increase our competitiveness and speed up the pace of development in this area. The Group will also devote more IT and marketing resources to support changes in technology and digital marketing activities.



# Risk Governance & Infrastructure



## The ERM Framework

# Enterprise Risk Management Report

## Talent Acquisition and Staff Retention

In view of the current competitive business environment, the Group is exposed to unhealthy and unacceptable staff turnover and vacancy rates which would affect productivity and business results. The Group has increased the number of recruitment channels and spots and regularly benchmarked existing compensation benefits against market in acquiring talents to mitigate staff vacancy. The Group has launched an employee referral scheme which has allowed the Group to successfully identify and recruit the right candidates from the existing employees' social network.



The Group mitigates staff turnover rate by conducting new recruits sharing session to strengthen bonding relationship and staff satisfaction survey as a means to understand and address career aspiration and personal development needs. As a result, the frontline staff career roadmap has been redefined to provide more flexibility for career development. In addition, a mentoring scheme is in place to provide guidance to

frontline staff during career progression. There is also a management training programme for new graduates under which each management trainee is given the opportunity to develop a clear and personal career path. The Group has also launched functional training and development programs to upgrade staff competence.

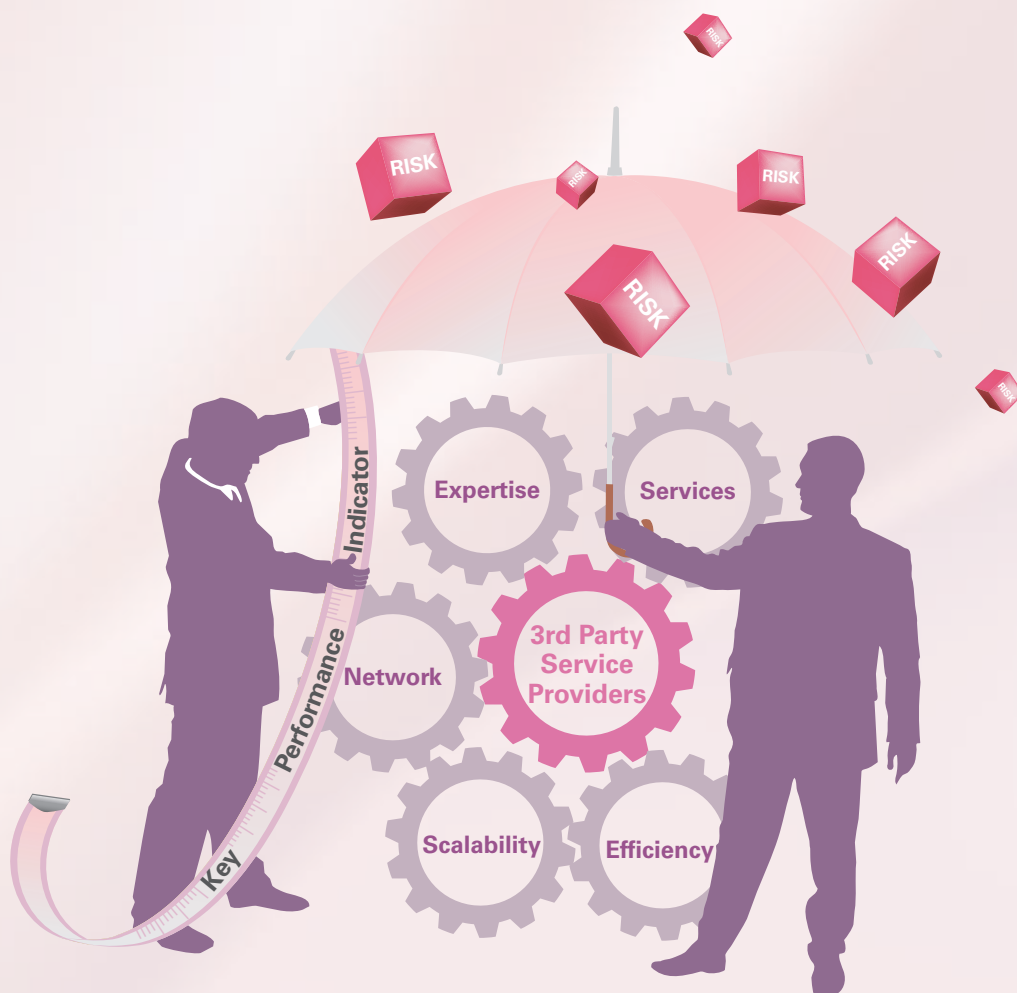
## Mainland China Business Growth

While the Group is taking progressive and disciplined steps in growing its market presence in the Mainland China, it is exposed to infrastructural risks, including weak local management team structure, inexperienced staffs, weak supply chain management and inadequate systems which may compromise scalability and business growth. The Group has implemented talent management and development program in acquiring competent management staff to strengthen local management foundation. Tailored selling and customer service training sessions are offered to frontline staff to enhance their capability and to improve personal and store performances. In conjunction with traditional instructor-led training courses, which in the case of China is costly to run because of the geographical spread, the Group is setting up an e-learning platform which makes use of the electronic media to deliver staff training and development courses across the country. This e-learning platform consolidates all training materials in one database and allows staff to access to all relevant training information and learn in a convenient and flexible schedule. To improve the operational efficiency, the Group has also reengineered the supply chain management by terminating an under-performed logistics service provider, and in the meantime, shortening the delivery lead-time and reducing the transportation costs by engaging new warehouse service in the southern Mainland China to better serve and support the growth in this region. In addition, the Group is placing greater focus on process and system development, automating work processes and systems using Information Technology, continually upgrade inventory management and review product offering mix to cater for changing market conditions.



## Third-Party Risks

The Group has been relying on third-party service providers in some aspects of our business with the aim of improving performance by leveraging their specialized expertise, well developed service network, operational efficiency and better scalability. While the Group enjoys some benefits from engaging these third-party service providers, the management realizes that the same also means operational dependency and a threat of vulnerability to unexpected poor or lapses in service. The risks may include but not limited to business disruption, authority investigation leading to monetary losses and reputational damage. In order to counter these risks, the Group engages only reputed third-party service providers and sets up key performance indexes to continuously monitor their performance. Although we try to develop good and long-term relationship with strategic partners, we do terminate service with under-performed vendors, and set up alternative vendor database to secure quality and continuity of service.



# Report of the Directors

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2014.

## **Principal activities and segment analysis of operations**

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the retailing and wholesaling of cosmetic products.

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

## **Results and appropriations**

The results for the year are set out in the consolidated income statement on page 158.

An interim dividend of 4.5 HK cents (2013: 2.5 HK cents) per share and a special dividend of 4.5 HK cents (2013: 4.5 HK cents) per share were paid on 19 December 2013. The Directors recommend the payment of a final dividend of 9.0 HK cents (2013: 5.0 HK cents) per share and a special dividend of 5.5 HK cents (2013: 9.0 HK cents) per share, such dividends will be proposed for approval by shareholders at the AGM to be held on Thursday, 21 August 2014 and are payable to shareholders whose names appear on the Register of Members of the Company on Thursday, 28 August 2014. Total dividends paid and to be paid in respect of the year ended 31 March 2014 amounted to HK\$667,971,000.

## **Major customers and suppliers**

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

## **Reserves**

Details of the movements in reserves of the Group and the Company during the year are set out in Note 27 to the consolidated financial statements.

## **Property, plant and equipment**

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

## **Share capital**

Details of the movements in share capital of the Company during the year are set out in Note 26 to the consolidated financial statements.



# Report of the Directors

## Share options

### Share option schemes

#### *(I) 2002 Share Option Scheme*

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

(a) Purpose

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

(b) Participants

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

(c) Total number of shares available for issue

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

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

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



## Share options (continued)

### Share option schemes (continued)

#### (I) 2002 Share Option Scheme (continued)

- (c) Total number of shares available for issue (continued)
  - (iv) As at 26 June 2014, the total number of shares available for issue under the 2002 Share Option Scheme was 33,830,988 shares, which represented 1.19% of the total issued share capital of the Company at that date.
  
- (d) Maximum entitlement of each Participant
 

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

The Company may grant options beyond the Individual Limit to a Participant if (i) the Company has first sent a circular to shareholders containing the identity of the Participant in question, the number and terms of the options granted and to be granted and other relevant information as required under the Listing Rules; and (ii) separate shareholder's approval has been obtained.
  
- (e) Option Period
 

The period within which the shares must be taken up under an option shall be notified by the Board to each grantee at the time of making an offer which shall not expire later than 10 years from the date of grant of the relevant option.
  
- (f) Minimum period for which an option must be held before it can be exercised
 

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

HK\$1.00 is required to be paid by the grantee to the Company on acceptance of the option offer as consideration.
  
- (h) Basis of determining the subscription price
 

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

  - (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant;
  - (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and
  - (iii) the nominal value of a Share.

# Report of the Directors

## Share options (continued)

### Share option schemes (continued)

#### (I) 2002 Share Option Scheme (continued)

- (i) Remaining life of the 2002 Share Option Scheme

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

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

Name	Date of grant	Subscription price per Share (HK\$)	Exercisable period	Vesting period (from the date of grant)	*Closing price of the Shares immediately before the date on which the options were exercised (HK\$)	Number of Share Options				
						Outstanding as at 1 April 2013	Granted during the year	Exercised during the year	*Lapsed during the year	Outstanding as at 31 March 2014
<b>Director</b>										
Dr LOOK Guy	2 Mar 2009	1.095	29 Feb 2012 to 1 Mar 2019	3 years	8.22	500,000	—	(500,000)	—	—
	1 Mar 2012	4.77	28 Feb 2013 to 28 Feb 2022	1 year	8.88 (AVG)	4,690,998	—	(4,690,998)	—	—
			28 Feb 2014 to 28 Feb 2022	2 years	—	4,690,998	—	—	—	4,690,998
			28 Feb 2015 to 28 Feb 2022	3 years	—	4,690,998	—	—	—	4,690,998
			note (2)	note (2)	8.81 (AVG)	4,690,998	—	(1,309,002)	—	3,381,996
			note (2)	note (2)	—	4,690,998	—	—	—	4,690,998
			note (2)	note (2)	—	4,690,998	—	—	—	4,690,998
<b>Employees Under Continuous Employment Contract</b>										
	30 Oct 2003	0.84	30 Oct 2005 to 29 Oct 2013	2 years	8.33 (AVG)	146,668	—	(146,668)	—	—
			30 Oct 2006 to 29 Oct 2013	3 years	8.26 (AVG)	346,664	—	(346,664)	—	—
			note (4)	note (4)	8.28 (AVG)	269,332	—	(269,332)	—	—
			note (4)	note (4)	8.31 (AVG)	168,000	—	(168,000)	—	—
			30 Oct 2006 to 29 Oct 2013	3 years	8.34 (AVG)	453,460	—	(453,460)	—	—
	30 Sep 2010	3.16	30 Sep 2013 to 29 Sep 2020	3 years	8.61 (AVG)	4,720,000	—	(3,764,000)	(50,000)	906,000
	17 Jun 2011	4.95	17 Jun 2014 to 16 Jun 2021	3 years	—	4,980,000	—	—	(354,000)	4,626,000
	29 Jun 2012	4.85	29 Jun 2015 to 28 Jun 2022	3 years	—	7,210,000	—	—	(507,000)	6,703,000
			note (7)	note (7)	—	—	—	—	—	—
						<b>51,440,112</b>	<b>—</b>	<b>(16,148,124)</b>	<b>(911,000)</b>	<b>34,380,988</b>

\* The weighted average closing price ("AVG") is shown where appropriate.

# There is no share option cancelled during the year.

## Share options (continued)

### Share option schemes (continued)

#### (I) 2002 Share Option Scheme (continued)


Notes:

- (1) The exercise of the share options is subject to certain performance targets that must be achieved by the director. The share options shall be exercised by the director not later than 1 March 2019.
- (2) The exercise of the share options is subject to certain performance targets that must be achieved by the director. The share options shall be exercised by the director not later than 28 February 2022.
- (3) On 30 October 2003, the Company granted share options to employees who had completed a minimum of 5 years of employment with the Group as at 30 September 2003 in order to reward them for contributing to the long term success of the business of the Group and to encourage and motivate them to continue to contribute to the success of the Group.
- (4) On 30 October 2003, the Company granted share options to employees of the Company who are of managerial level or above in order to encourage and motivate them to continue to contribute to the success of the business of the Group. The exercise of the share options is subject to certain performance targets that must be achieved by the employees. The share options shall be exercised by the employees not later than 29 October 2013.
- (5) On 30 September 2010, the Company granted share options to certain employees of the Company in order to reward them for contributing to the long term success of the business of the Group and to encourage and motivate them to continue to contribute to the success of the Group.
- (6) On 17 June 2011, the Company granted share options to certain employees of the Company in order to reward them for contributing to the long term success of the business of the Group and to encourage and motivate them to continue to contribute to the success of the Group.
- (7) On 29 June 2012, the Company granted 7,567,000 share options to certain employees of the Company in order to reward them for contributing to the long term success of the business of the Group and to encourage and motivate them to continue to contribute to the success of the Group. The exercise of 400,000 share options out of the outstanding balance as at 31 March 2014 is subject to certain performance targets that must be achieved by the related employees.

#### (II) 2012 Share Option Scheme

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

- (a) Purpose  
To provide Participants (as defined below) with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.
- (b) Participants  
Any directors (including executive, non-executive directors and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any members of the Group whom the Board considers, in its sole discretion, to have contributed to the Group.



## Report of the Directors

### Share options (continued)

#### Share option schemes (continued)

##### (II) 2012 Share Option Scheme (continued)

- (c) Total number of shares available for issue
- (i) The maximum number of Shares in respect of which options may be granted under the 2012 Share Option Scheme shall not (when aggregated with any Shares subject to any other share option scheme(s) of the Company) exceed 10 percent in nominal amount of the issued share capital of the Company on the Adoption Date (the “2012 Scheme Mandate Limit”). Option lapsed in accordance with the terms of the 2012 Share Option Scheme will not be counted for the purpose of calculating the 2012 Scheme Mandate Limit.
  - (ii) The 2012 Scheme Mandate Limit may be renewed at any time subject to prior Shareholders’ approval but in any event shall not exceed 10 percent of the issued share capital of the Company as at the date of approval of the renewal of the 2012 Scheme Mandate Limit. Option previously granted under the 2012 Share Option Scheme or any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the refreshed 2012 Scheme Mandate Limit.
  - (iii) The maximum number of Shares in respect of which options may be granted to Grantees under 2012 Share Option Scheme and other share option schemes of the Company shall not exceed 30 per cent. in nominal amount of the issued share capital of the Company from time to time (“Scheme Limit”).
  - (iv) As at 26 June 2014, the total number of shares available for issue under the 2012 Share Option Scheme was 282,175,006 shares, which represented 9.92% of the total issued share capital of the Company at that date.
- (d) Maximum entitlement of each Participant
- The maximum number of Shares in respect of which Options may be granted to a specifically identified single Participant under the 2012 Share Option Scheme shall not (when aggregated with any Shares subject to any other share option scheme(s) of the Company and including exercised, cancelled and outstanding options) in any 12-month period exceed 1 percent of the Shares in issue. The Company may grant options beyond the Individual Limit to Participants if:
- (i) the Company has first sent a circular to Shareholders containing the identity of the Participant in question, the number and terms of the options to be granted (and options previously granted to such Participant) and other relevant information as required under the Listing Rules; and
  - (ii) separate Shareholders’ approval has been obtained in general meeting with the proposed Participant and his associates abstaining from voting.

**Share options (continued)**

**Share option schemes (continued)**

*(II) 2012 Share Option Scheme (continued)*

- (e) Option Period  
The period within which the shares must be taken up under an option shall be notified by the Board to each grantee at the time of making an offer which shall not expire later than 10 years from the date of grant of the relevant option.
  
- (f) Minimum period for which an option must be held before it can be exercised  
The minimum period, if any, for which an option must be held before it can be exercised shall be determined by the Board at its absolute discretion. The 2012 Share Option Scheme itself does not specify any minimum holding period.
  
- (g) Consideration on acceptance of the option  
HK\$1.00 is required to be paid by the grantee to the Company on acceptance of the option offer as consideration.
  
- (h) Basis of determining the subscription price  
The subscription price shall be determined by the Board in its absolute discretion but in any event shall not be less than the greatest of:
  - (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant;
  - (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the Date of Grant; or
  - (iii) the nominal value of a Share.
  
- (i) Remaining life of the 2012 Share Option Scheme  
The 2012 Share Option Scheme shall be valid and effective for a period of 10 years commencing on 27 August 2012, the date on which it became unconditional and will expire on 26 August 2022.

## Report of the Directors

### Share options (continued)

#### Share option schemes (continued)

##### (II) 2012 Share Option Scheme (continued)

Details of the share options granted under the 2012 Share Option Scheme and their movements during the year are set out below:

Name	Date of grant	Subscription price per Share (HK\$)	Closing price of the Shares immediately before the date on which the options were granted (HK\$)	Exercisable period	Vesting period (from the date of grant)	Number of Share Options				
						Outstanding as at 1 April 2013	Granted during the year	Exercised during the year	*Lapsed during the year	Outstanding as at 31 March 2014
Employees Under Continuous Employment Contract	21 Jun 2013	8.07	7.73	21 Jun 2016 to 20 Jun 2023	3 years note	—	9,088,000	—	(456,000)	8,632,000
						—	9,088,000	—	(456,000)	8,632,000

# There is no share option cancelled during the year.

Note:

On 21 June 2013, the Company granted share options to certain employees of the Company in order to reward them for contributing to the long term success of the business of the Group and to encourage and motivate them to continue to contribute to the success of the Group.

The weighted average fair value of share options granted during the year was determined using the binomial lattice model, prepared by HSBC Life (International) Limited, was HK\$2.18 per option (2013: HK\$1.48). The significant inputs into the model were share price of HK\$7.44 at the grant date, exercise price of HK\$8.07 (2013: HK\$4.85), volatility of 46.0% (2013: 46.0%), dividend yields of 4.0% (2013: 4.0%), an expected option life of around six years (2013: 6 years) and an annual risk-free interest rate of 1.3% (2013: 0.5%). The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last six years. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

The accounting policy adopted for the share options is described in Accounting Policy No. 10.

### **Pre-emptive rights**

There are no provisions for pre-emptive rights under the Company's Articles of Association and there are no restrictions against such rights under the laws in the Cayman Islands where the Company was incorporated.

### **Purchase, sale or redemption of shares**

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### **Subsidiaries**

Details of the Company's principal subsidiaries as at 31 March 2014 are set out in Note 32 to the consolidated financial statements.

### **Borrowings**

As at 31 March 2014, the Group had HK\$80,000,000 borrowings (2013: nil), details of which are set out in Note 23 to the consolidated financial statements.

### **Capitalised interest**

No interest was capitalised by the Group during the year (2013: nil).

### **Distributable reserves**

As at 31 March 2014, the reserves of the Company available for distribution amounted to HK\$1,561,446,000 (2013: HK\$1,261,422,000).

### **Donations**

The Group made donations during the year totalling HK\$5,967,000 (2013: HK\$4,228,000).

### **Directors**

The Directors who held office during the year and up to the date of this report were:

#### **Executive Directors**

Dr KWOK Siu Ming Simon, *BBS, JP (Chairman and CEO)*

- date of appointment as a Director: 3 December 1996
- date of last re-election in AGM as a Director: 22 August 2013

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

- date of appointment as a Director: 3 December 1996
- date of last re-election in AGM as a Director: 22 August 2013

Dr LOOK Guy (*CFO*)

- date of appointment as a Director: 10 September 2002
- date of last re-election in AGM as a Director: 22 August 2013
- term of directorship: three years commencing on 1 March 2012



## Report of the Directors

### Directors (continued)

#### Non-executive Director

Ms LEE Yun Chun Marie-christine

- date of appointment as a Director: 26 February 2013
- date of last re-election in AGM as a Director: 22 August 2013
- term of directorship: three years commencing on 22 August 2013

#### Independent Non-executive Directors

Professor CHAN Yuk Shee, *PhD, SBS, JP*

- date of appointment as a Director: 1 November 1999
- date of last re-election in AGM as a Director: 25 August 2011
- term of directorship: three years commencing on 1 November 2011

Dr LEUNG Kwok Fai Thomas, *PhD, BBS, JP*

- date of appointment as a Director: 1 January 2000
- date of last re-election in AGM as a Director: 25 August 2011
- term of directorship: three years commencing on 1 January 2012

Ms TAM Wai Chu Maria, *GBM, JP*

- date of appointment as a Director: 24 June 2004
- date of last re-election in AGM as a Director: 22 August 2013
- term of directorship: three years commencing on 24 June 2013

Ms KI Man Fung Leonie, *SBS, JP*

- date of appointment as a Director: 15 December 2006
- date of last re-election in AGM as a Director: 23 August 2012
- term of directorship: three years commencing on 15 December 2012

Mr TAN Wee Seng

- date of appointment as a Director: 11 March 2010
- date of last re-election in AGM as a Director: 23 August 2012
- term of directorship: three years commencing on 26 August 2013

In accordance with Article 116, Mr TAN Wee Seng will retire by rotation at the forthcoming AGM.

Pursuant to code provision A.4.3 of the CG Code, the further appointment of any INED who has served the Company for more than nine years should be subject to a separate resolution to be approved by Shareholders. Professor CHAN Yuk Shee and Dr LEUNG Kwok Fai Thomas have served as INEDs of the Company for more than 14 years. The board will set out in the circular to Shareholders dated 18 July 2014 the reasons why it believes they continue to be independent and why they should be re-elected at the forthcoming AGM. All of these Directors, being eligible, will offer themselves for re-election.



### Confirmation of independence from INEDs

The Company has received a written confirmation from each INED of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee has duly reviewed the annual confirmation of independence of these Directors and both the Nomination Committee and the Company consider them to be independent throughout the year and that they remain so as at the date of this report.

### Directors' biographies

The updated biographical information of the Directors are set out on pages 46 to 53 of this Annual Report.

### Directors' service contracts

None of the Directors offering themselves for re-election at the forthcoming AGM has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

### Directors' and chief executives' interests and short positions in shares, underlying shares and debentures

As at 31 March 2014, the interests or short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code are set out below:

#### (I) Long position in the shares, underlying shares and debentures of the Company

Name of director	Capacity	Number of Shares in the Company				Total interests	Approximate percentage of shareholding
		Personal interests	Family interests	Corporate interests	Other interests		
Dr KWOK Siu Ming Simon	Interests of a controlled corporation (Note)	—	—	1,797,012,800	—	1,797,012,800	63.21%
	Beneficial Owner	40,728,000	—	—	—	40,728,000	1.43%
Dr KWOK LAW Kwai Chun Eleanor	Interests of a controlled corporation (Note)	—	—	1,797,012,800	—	1,797,012,800	63.21%
Professor CHAN Yuk Shee	Beneficial Owner	2,300,000	—	—	—	2,300,000	0.08%
Ms TAM Wai Chu Maria	Beneficial Owner	2,000,000	—	—	—	2,000,000	0.07%

Note: These shares are held as to 1,393,560,000 shares by Sunrise Height Incorporated and as to 403,452,800 shares by Green Ravine Limited. Both Sunrise Height Incorporated and Green Ravine Limited are owned as to 50% each by Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor.

Details of the interests of Directors and chief executives in the derivatives interests in the Company for the year ended 31 March 2014 are disclosed in the Share Options section on page 142 of this report.

## Report of the Directors

### Directors' and chief executives' interests and short positions in shares, underlying shares and debentures (continued)

#### (II) Long position in the shares, underlying shares and debentures of associated corporations

Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor are each taken to be interested in all the issued non-voting deferred shares (the "Deferred Shares") of Base Sun Investment Limited ("Base Sun"), Matford Trading Limited ("Matford"), Sa Sa Cosmetic Company Limited and Sa Sa Investment (HK) Limited, all of which are wholly-owned subsidiaries of the Company. Details of interests in the Deferred Shares as at 31 March 2014 are set out below:

#### *Dr KWOK Siu Ming Simon*

##### Number of Deferred Shares in the associated corporation

Name of associated corporation	Capacity	Number of Deferred Shares in the associated corporation				Total interests	Percentage of shareholding to all the Deferred Shares of associated corporation
		Personal interests	Family interests	Corporate interests	Other interests		
Base Sun Investment Limited	Interests of a controlled corporation (Note 1)	—	—	2	—	2	100%
Matford Trading Limited	Beneficial Owner (Note 2)	3	—	—	—	3	50%
Sa Sa Cosmetic Company Limited	Beneficial Owner	1	—	—	—	1	50%
Sa Sa Investment (HK) Limited	Beneficial Owner	1	—	—	—	1	50%

## Directors' and chief executives' interests and short positions in shares, underlying shares and debentures (continued)

### (II) Long position in the shares, underlying shares and debentures of associated corporations (continued)


#### Dr KWOK LAW Kwai Chun Eleanor

Name of associated corporation	Capacity	Number of Deferred Shares in the associated corporation					Total interests	Percentage of shareholding to all the Deferred Shares of associated corporation
		Personal interests	Family interests	Corporate interests	Other interests			
Base Sun Investment Limited	Interests of a controlled corporation (Note 1)	—	—	2	—	2	100%	
Matford Trading Limited	Beneficial Owner (Note 3)	3	—	—	—	3	50%	
Sa Sa Cosmetic Company Limited	Beneficial Owner	1	—	—	—	1	50%	
Sa Sa Investment (HK) Limited	Beneficial Owner	1	—	—	—	1	50%	

#### Notes:

- Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor together hold two Deferred Shares in Base Sun through Win Win Group International Limited ("Win Win") and Modern Capital Investment Limited ("Modern Capital"). Win Win and Modern Capital are companies owned as to 50% each by Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor and each of Win Win and Modern Capital holds one Deferred Share in Base Sun.
- Dr KWOK Siu Ming Simon holds three Deferred Shares in Matford through Mr YUNG Leung Wai who acts as a nominee shareholder.
- Dr KWOK LAW Kwai Chun Eleanor holds three Deferred Shares in Matford through Ms KWOK Lai Yee Mabel who acts as a nominee shareholder.

Save as disclosed above, no Director or chief executive has any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.



## Report of the Directors

### **Directors' and chief executives' interests and short positions in shares, underlying shares and debentures (continued)**

#### **Directors' benefits from rights to acquire shares or debentures**

Save as disclosed under the Share Options section on page 142, at no time during the year was the Company, its holding company or its subsidiaries or a subsidiary of the Company's holding company, a party to any arrangements which enabled the Directors (including their spouses or children under 18 years of age), to acquire benefits by means of acquisition of shares in or debenture of the Company or any other body corporate.

#### **Interests and short positions in shares and underlying shares of shareholders**

So far as is known to any Director or chief executive of the Company, as at 31 March 2014, Shareholders, other than a Director or chief executive, who had interests and short positions in the shares and underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions), or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO are as follows:

#### **Long position of substantial shareholders in the shares of the Company**

<b>Name of company</b>	<b>Capacity</b>	<b>No. of shares held</b>	<b>Approximate percentage of shareholding</b>
Sunrise Height Incorporated	Beneficial owner	1,393,560,000 (Note)	49.02%
Green Ravine Limited	Beneficial owner	403,452,800 (Note)	14.19%

Note: Both Sunrise Height Incorporated and Green Ravine Limited are owned as to 50% each by Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor.

Save as disclosed above, the Company has not been notified by any person (other than the Directors or chief executives) who had interests or short positions in the shares or underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions), or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

#### **Contracts of significance**

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any Director is or was materially interested, either directly or indirectly, subsisted during or at the end of the year.

### **Management contracts**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### **Connected transactions**

During the year, there were no connected transactions or continuing connected transactions that were not exempted under the Listing Rules.

### **Sufficiency of public float**

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the total issued share capital of the Company is held by the public as at the date of this report.

### **Auditor**

The financial statements for the year have been audited by PwC who retired and, being eligible, offered themselves for re-appointment. A resolution to re-appoint them and to authorise the Directors to fix their remuneration will be proposed for approval at the forthcoming AGM.

By Order of the Board

**KWOK Siu Ming Simon**

*Chairman and CEO*

Hong Kong, 26 June 2014



# Independent Auditor's Report



羅兵咸永道

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SA SA INTERNATIONAL HOLDINGS LIMITED**

*(incorporated in Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Sa Sa International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 158 to 222, which comprise the consolidated and company statements of financial position as at 31 March 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Directors' responsibility for the consolidated financial statements**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888, [www.pwchk.com](http://www.pwchk.com)*

**Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 26 June 2014

# Consolidated Income Statement

For the year ended 31 March 2014

	Note	2014 HK\$'000	2013 HK\$'000
Turnover	2	8,756,105	7,669,798
Cost of sales	5	(4,683,118)	(4,111,454)
Gross profit		4,072,987	3,558,344
Other income	2	102,936	57,792
Selling and distribution costs	5	(2,728,230)	(2,360,620)
Administrative expenses	5	(341,209)	(271,659)
Other gains – net	4	7,022	3,312
Operating profit		1,113,506	987,169
Finance income	8	12,762	7,509
Finance costs	8	(305)	–
Finance income – net	8	12,457	7,509
Profit before income tax		1,125,963	994,678
Income tax expenses	9	(190,728)	(169,044)
Profit for the year		935,235	825,634
Earnings per share for profit for the year (expressed in HK cents per share)	11		
Basic		33.0	29.3
Diluted		32.9	29.2
Dividends	12	667,971	594,009

The notes and disclosures on pages 165 to 222 are an integral part of these consolidated financial statements.



# Consolidated Statement of Comprehensive Income

For the year ended 31 March 2014

	2014 HK\$'000	2013 HK\$'000
<b>Profit for the year</b>	935,235	825,634
<b>Other comprehensive (loss)/income</b>		
<u>Item that will not be reclassified subsequently to profit or loss</u>		
Actuarial losses on retirement benefit obligation	(886)	–
<u>Items that may be reclassified to profit or loss</u>		
Cash flow hedges, net of tax	593	(591)
Currency translation differences of foreign subsidiaries recorded in exchange reserve	(8,770)	720
<b>Other comprehensive (loss)/income for the year, net of tax</b>	(9,063)	129
<b>Total comprehensive income for the year</b>	926,172	825,763

The notes and disclosures on pages 165 to 222 are an integral part of these consolidated financial statements.

# Consolidated Statement of Financial Position

As at 31 March 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	405,436	343,195
Rental deposits, prepayments and other assets	15	214,652	214,731
Deferred tax assets	16	4,406	5,233
		624,494	563,159
<b>Current assets</b>			
Inventories	17	1,373,213	1,234,976
Trade receivables	18	52,118	92,968
Other receivables, deposits and prepayments	19	198,262	154,083
Time deposits	20	570,560	209,092
Cash and cash equivalents	20	418,780	542,963
		2,612,933	2,234,082
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	21	391,574	411,231
Other payables and accruals	22	301,816	317,255
Income tax payable		83,889	63,279
Borrowings	23	80,000	–
		857,279	791,765
<b>Net current assets</b>		1,755,654	1,442,317
<b>Total assets less current liabilities</b>		2,380,148	2,005,476
<b>Non-current liabilities</b>			
Retirement benefit obligations	25	5,725	3,849
Deferred tax liabilities	16	293	1,501
Other payables		49,001	24,652
		55,019	30,002
<b>Net assets</b>		2,325,129	1,975,474

# Consolidated Statement of Financial Position

As at 31 March 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	26	284,306	282,691
Reserves	27	2,040,823	1,692,783
<b>Total equity</b>		<b>2,325,129</b>	<b>1,975,474</b>

On behalf of the Board

**KWOK Siu Ming Simon**

*Director*

**KWOK LAW Kwai Chun Eleanor**

*Director*

The notes and disclosures on pages 165 to 222 are an integral part of these consolidated financial statements.

# Statement of Financial Position

As at 31 March 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in and amounts due from subsidiaries	14	1,556,896	1,344,810
Other assets	15	750	750
		1,557,646	1,345,560
<b>Current assets</b>			
Other receivables, deposits and prepayments	19	2,340	520
Time deposits	20	345,779	74,000
Cash and cash equivalents	20	2,988	181,819
		351,107	256,339
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables and accruals	22	1,419	6,161
<b>Net current assets</b>		349,688	250,178
<b>Total assets less current liabilities</b>		1,907,334	1,595,738
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	26	284,306	282,691
Reserves	27	1,623,028	1,313,047
<b>Total equity</b>		1,907,334	1,595,738

On behalf of the Board

**KWOK Siu Ming Simon**

Director

**KWOK LAW Kwai Chun, Eleanor**

Director

The notes and disclosures on pages 165 to 222 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 March 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	28	1,191,461	1,022,952
Hong Kong profits tax paid		(142,574)	(159,252)
Overseas tax paid		(27,807)	(17,455)
<b>Net cash generated from operating activities</b>		<b>1,021,080</b>	<b>846,245</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	13	(267,826)	(191,757)
Proceeds from disposal of property, plant and equipment	28	3,919	3,026
Increase in time deposits	20	(361,468)	(173,471)
Interest received		7,655	4,911
<b>Net cash used in investing activities</b>		<b>(617,720)</b>	<b>(357,291)</b>
<b>Cash flows from financing activities</b>			
Proceeds from shares issued upon exercise of share options	26(a)	47,152	13,344
Proceeds from borrowings		80,000	–
Finance costs paid		(305)	–
Unclaimed dividends forfeited		5,241	–
Dividends paid to Company's shareholders		(652,193)	(522,385)
<b>Net cash used in financing activities</b>		<b>(520,105)</b>	<b>(509,041)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(116,745)</b>	<b>(20,087)</b>
<b>Cash and cash equivalents at beginning of year</b>	20	<b>542,963</b>	<b>562,998</b>
Effect of foreign exchange rate changes		(7,438)	52
<b>Cash and cash equivalents at end of year</b>	20	<b>418,780</b>	<b>542,963</b>

The notes and disclosures on pages 165 to 222 are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

	Note	Share capital HK\$'000	Reserves HK\$'000	Total HK\$'000
Balance at 1 April 2012		281,467	1,349,357	1,630,824
Profit for the year		–	825,634	825,634
Other comprehensive income:				
Cash flow hedges, net of tax		–	(591)	(591)
Currency translation differences of foreign subsidiaries recorded in exchange reserve		–	720	720
Total comprehensive income for the year		–	825,763	825,763
Employee share option scheme:				
Value of employee services	27(a)	–	27,928	27,928
Proceeds from shares issued upon exercise of share options	26(a)&27(a)	1,224	12,120	13,344
Dividends				
2011/2012 Final and Special dividends	27(a)	–	(324,501)	(324,501)
2012/2013 Interim dividend	27(a)	–	(70,673)	(70,673)
2012/2013 Special dividend	27(a)	–	(127,211)	(127,211)
Balance at 31 March 2013		282,691	1,692,783	1,975,474
Balance at 1 April 2013		282,691	1,692,783	1,975,474
Profit for the year		–	935,235	935,235
Other comprehensive loss:				
Actuarial losses on retirement benefit obligation		–	(886)	(886)
Cash flow hedges, net of tax		–	593	593
Currency translation differences of foreign subsidiaries recorded in exchange reserve		–	(8,770)	(8,770)
Total comprehensive income for the year		–	926,172	926,172
Employee share option scheme:				
Value of employee services	27(a)	–	23,283	23,283
Proceeds from shares issued upon exercise of share options	26(a)&27(a)	1,615	45,537	47,152
Unclaimed dividends forfeited	27(a)	–	5,241	5,241
Dividends				
2012/2013 Final and Special dividends	27(a)	–	(396,489)	(396,489)
2013/2014 Interim dividend	27(a)	–	(127,852)	(127,852)
2013/2014 Special dividend	27(a)	–	(127,852)	(127,852)
<b>Balance at 31 March 2014</b>		<b>284,306</b>	<b>2,040,823</b>	<b>2,325,129</b>

The notes and disclosures on pages 165 to 222 are an integral part of these consolidated financial statements.

# Significant Accounting Policies

Apart from the accounting policies presented within the corresponding notes to the financial statements, other significant accounting policies are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

## 1 Basis of preparation

The Company, Sa Sa International Holdings Limited, and its subsidiaries are collectively referred to as the Group in the consolidated financial statements. The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Accounting Policy No. 14.

## 2 Changes in accounting policies and disclosures

### (i) New, amended and revised standards and new interpretations adopted by the Group effective for the financial year beginning 1 April 2013

- HKFRS 7 (Amendment), “Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities” (effective for annual periods beginning on or after 1 January 2013). The amendments require new disclosure requirements which focus on quantitative information about recognized financial instruments that are offset in the statement of financial position, as well as those recognized financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The amendment results only in additional disclosures.
- HKFRS 13, “Fair Value Measurements” (effective for annual periods beginning on or after 1 January 2013). It improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The new standard results only in additional disclosures.
- HKAS 1 (Amendment), “Presentation of Financial Statements” (effective for annual periods beginning on or after 1 July 2012). The main change resulting from these amendments is a requirement for entities to group items presented in “Other Comprehensive Income” (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The change in accounting policy results only in additional disclosures.
- HKAS 19 (Amendment), “Employee Benefits” (effective for annual periods beginning on or after 1 January 2013). The amendment posted significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. The revised standard had no material impact on the Group’s consolidated financial statements.



## Significant Accounting Policies

### 2 Changes in accounting policies and disclosures (continued)

#### (i) **New, amended and revised standards and new interpretations adopted by the Group effective for the financial year beginning 1 April 2013 (continued)**

The following new, amended and revised standards and new interpretation are effective for financial year beginning on or after 1 April 2013 but are not relevant to the Group.

- HKFRS 1 (Amendment), “First Time Adoption on Government Loans” (effective for annual periods beginning on or after 1 January 2013)
- HKFRS 10, “Consolidated Financial Statements” (effective for annual periods beginning on or after 1 January 2013)
- HKFRS 11, “Joint Arrangements” (effective for annual periods beginning on or after 1 January 2013)
- HKFRS 12, “Disclosure of Interests in Other Entities” (effective for annual periods beginning on or after 1 January 2013)
- HKFRSs 10, 11 and 12 (Amendment), “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance” (effective for annual periods beginning on or after 1 January 2013)
- HKAS 27 (Revised 2011), “Separate Financial Statements” (effective for annual periods beginning on or after 1 January 2013)
- HKAS 28 (Revised 2011), “Investments in Associates and Joint Ventures” (effective for annual periods beginning on or after 1 January 2013)
- (HK)IFRIC – Int 20, “Stripping Costs in the Production Phase of a Surface Mine” (effective for annual periods beginning on or after 1 January 2013)
- Annual improvement 2011, Amendments to several HKFRSs, (effective for annual periods beginning on or after 1 January 2013)
- Annual improvement 2012, Amendment to HKFRS 13, “Fair Value Measurement” (effective for annual periods beginning on or after 1 January 2013)
- Annual improvement 2013, Amendment to HKFRS 1, “First Time Adoption” (effective for annual periods beginning on or after 1 January 2013)




## 2 Changes in accounting policies and disclosures (continued)

### (ii) Early adoption of new, amended standards and new interpretation where early adoption is permitted

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (Revised 2011) “Investment Entities” (effective for annual periods beginning on or after 1 January 2014). The amendments provide an exception to the consolidation requirements in HKFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities. The early adoption of amendments to HKFRS 10, HKFRS 12 and HKAS 27 does not have any material impact to the Group as the Group does not have investment entities.
- Amendment to HKFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016), describes regulatory deferral account balances as amounts of expense or income that would not be recognized as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with HKFRS 14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price that an entity can charge to customers for rate-regulated goods or services. The early adoption of amendment to HKFRS 14 does not have any material impact to the Group as the Group is not first-time adopter of HKFRS and does not have any regulatory deferral accounts.
- Amendment to HKAS 19 regarding defined benefit plans (effective for annual periods beginning on or after 1 July 2014). This narrow scope amendment applies to contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The early adoption of amendment to HKAS 19 does not have any material impact to the Group as there is no contribution made by employees or third parties to defined benefit plans of the Group.
- HKAS 32 (Amendment) “Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities” (effective for annual periods beginning on or after 1 January 2014). The amendments clarify the requirements for offsetting financial instruments on the statement of financial position:
  - (i) the meaning of “currently has a legally enforceable right of set-off”; and
  - (ii) that some gross settlement systems may be considered equivalents to net settlement.

The early adoption of HKAS 32 (Amendment) does not have any material impact to the Group as the Group has already followed this requirement for offsetting.



## Significant Accounting Policies

### 2 Changes in accounting policies and disclosures (continued)

#### (ii) Early adoption of new, amended standards and new interpretation where early adoption is permitted (continued)

- Amendments to HKAS 36 “Recoverable Amount Disclosures for Non-Financial Assets” (effective for annual periods beginning on or after 1 January 2014). The amendments remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) when it contains goodwill or intangible assets with indefinite useful lives when there has been no impairment. The amendments also expand the disclosure requirements for an individual asset (including goodwill) and a CGU for which an impairment loss has been recognized or reversed during the reporting period. The early adoption of amendments to HKAS 36 results in additional disclosure requirement related to impairment of non-financial assets.
- HKAS 39 (Amendment) “Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting” (effective for annual periods beginning on or after 1 January 2014). The HKAS 39 (Amendment) provides relief from discontinuing hedge accounting when novation of the derivative contract which is designated as a hedging instrument to a central counterparty meets specified criteria. The early adoption of HKAS 39 (Amendment) does not have any material impact to the Group as the Group does not enter into any hedging instruments that subject to clearing by central counterparties.
- HK (IFRIC) Int 21 “Levies” (effective for annual periods beginning on or after 1 January 2014). It sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognized. The early adoption of HK (IFRIC) Int 21 does not have any material impact to the Group as the Group is not currently subjected to significant levies.
- Annual improvement to HKFRSs, 2010–2012 cycle (effective for annual periods beginning on or after 1 July 2014). It clarifies some definitions and disclosure requirement on some standards. The early adoption of Annual improvement to HKFRSs, 2010–2012 cycle does not have any material impact to the Group as the Group has already followed these clarifications.
- Annual improvement to HKFRSs, 2011–2013 cycle (effective for annual periods beginning on or after 1 July 2014). It clarifies some definitions and disclosure requirement on some standards. The early adoption of Annual improvement to HKFRSs, 2011–2013 cycle does not have any material impact to the Group as the Group has already followed these clarifications.

#### (iii) The following amended standards have been issued but are not effective for the financial year beginning 1 April 2013 and have not been early adopted

- HKFRS 9, “Financial Instruments” (hedge accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39) (effective date not yet determined)

### **3 Consolidation**

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

### **4 Financial statements of the Company**

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### **5 Operating leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Receipts or payments made under operating leases (net of any incentives paid to lessees or received from the lessors) are recognized as income or expenses in the income statement on a straight-line basis over the period of the lease.

### **6 Impairment of non-financial assets**

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.



## Significant Accounting Policies

### 7 Financial assets

#### (i) Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" (Note 18 and 19) and "cash and bank balances" (Note 20) in the statement of financial position.

#### (ii) Recognition and measurement

Regular purchases and sales of financial assets are recognized on the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortized cost using the effective interest method.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

### 8 Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the Company's functional and the Group's and the Company's presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the income statement within "other gains – net".

## 8 Foreign currency translation (continued)

### (iii) Group companies

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

## 9 Employee benefits

### (i) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

### (ii) Retirement benefit obligations

The Group operates various post-employments scheme, including defined contribution and defined benefit retirement plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.



## Significant Accounting Policies

### 9 Employee benefits (continued)

#### (ii) Retirement benefit obligations (continued)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in income.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### (iii) Long service payments

The Group's net obligation in respect of amounts payable on cessation of employment in certain circumstances under the employment law of the respective countries in which the Group operates is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Long service payments are assessed using the projected unit credit method. The cost of providing the long service payment liabilities is charged to the income statement so as to spread the cost over the service lives of employees in accordance with the advice of the actuaries.

Long service payments are discounted to determine the present value of obligation and reduced by entitlement accrued under the Group's defined contribution plans that are attributable to contributions made by the Group. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in income.

#### (iv) Bonus plan

The expected cost of bonus payments is recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liability for bonus plan is expected to be settled within 12 months and is measured at the amount expected to be paid when it is settled.

## 10 Share-based payment

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

The Group operates an equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price); and
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

### (ii) Share-based payment transactions among Group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

## 11 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group and of the Company. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.



## Significant Accounting Policies

### 12 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

### 13 Financial risk management

#### 13.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by management who identifies, evaluates and mitigate financial risks in close co-operation with the Group's operating subsidiaries. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

##### (i) Foreign exchange risk

The Group operates in various countries and is exposed to foreign exchange risk against Hong Kong dollars arising from foreign exchange exposure. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operation.

Most of the assets, receipts and payments of the Group are either in Hong Kong dollar, US dollar, Euro or Renminbi. The Group minimizes its foreign exchange exposure by way of buying against order by entering into forward contracts with reputable financial institutions or at spot and maintain no material long position. The hedging policies are reviewed by the Group regularly.

As at 31 March 2014, if Hong Kong dollar had weakened/strengthened by 1% against Euro with all other variables held constant, profit for the year would have been lower/higher by HK\$254,000 (2013: HK\$274,000), mainly as a result of foreign exchange gains/losses on translation of Euro-denominated cash and bank balances and financial liabilities.

As at 31 March 2014, if Hong Kong dollars had weakened/strengthened by 1% against Renminbi with all other variables held constant, profit for the year would have been higher/lower by HK\$1,010,000 (2013: HK\$622,000), mainly as a result of foreign exchange gains/losses on translation of Renminbi denominated cash and bank balances, financial assets and liabilities.



## 13 Financial risk management (continued)

### 13.1 Financial risk factors (continued)

#### (ii) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, other receivables, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. As at 31 March 2014, all bank balances and bank deposits are held at reputable financial institutions. In respect of wholesale customers, individual risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly reviewed. Sales to retail customers are settled in cash or using major credit cards. No material credit limits were exceeded during the reporting period, and management does not expect any material losses from non-performance by these counterparties.

Trade receivables are due within 90 days from the date of billings. As at 31 March 2014, 99.8% of the total trade receivables were due within 90 days (2013: 99.4%). The maximum exposure to credit risk is represented by the carrying amount of trade receivables in the consolidated statement of financial position. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 18.

#### (iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and making available an adequate amount of committed credit facilities with staggered maturities to reduce refinancing risk in any year and to fund working capital, dividend payments, new investments and close out market positions if required. The Group has steady cash inflow from operations and has adequate financial resources to fund its operations and future expansions. As at 31 March 2014, the Group's financial liabilities were mainly trade payables and other payables amounting to HK\$536,243,000 (2013: HK\$539,789,000), which were due within 12 months.

#### (iv) Interest rate risk

The Group's interest rate risk resulted from timing differences in the repricing of interest bearing assets or liabilities. Major interest bearing assets of the Group are short-term bank deposits and time deposits, details of which have been disclosed in Note 20. The Group's exposure to changes in interest rates is also attributable to its borrowings, details of which have been disclosed in Note 23. The Group's borrowings were carried at floating rate and expose the Group to cash flow interest rate risk. The Group has not used any interest rate swaps to hedge its exposure against cash flow interest rate risks as management considers that the Group's borrowing is relatively short term and insignificant. As any reasonable changes in interest rate would not result in a significant change in the Group's results, no sensitivity analysis is presented for interest rate risk.

The Group monitors its interest rate risk through management of maturity profile and choice of fixed or floating interest rates.

## Significant Accounting Policies

### 13 Financial risk management (continued)

#### 13.2 Capital risk management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. The Group defines the capital of the Group as the total shareholders' equity.

As at 31 March 2014, the Group was in a net cash position (total borrowings were less than cash and cash equivalents).

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity.

The gearing ratios as at 31 March 2014 and 2013 were as follows:

	2014 HK\$'000	2013 HK\$'000
Total borrowings (Note 23)	80,000	—
Total equity	2,325,129	1,975,474
Gearing ratio	3.4%	—

#### 13.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 March 2014 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

### 13 Financial risk management (continued)

#### 13.3 Fair value estimation (continued)

As at 31 March 2014

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Derivatives used for hedging				
– Forward foreign exchange contracts	–	167	–	167
<b>Total assets</b>	<b>–</b>	<b>167</b>	<b>–</b>	<b>167</b>
<b>Liabilities</b>				
Derivatives used for hedging				
– Forward foreign exchange contracts	–	168	–	168
<b>Total liabilities</b>	<b>–</b>	<b>168</b>	<b>–</b>	<b>168</b>

As at 31 March 2013

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Liabilities</b>				
Derivatives used for hedging				
– Forward foreign exchange contracts	–	656	–	656
<b>Total liabilities</b>	<b>–</b>	<b>656</b>	<b>–</b>	<b>656</b>



## Significant Accounting Policies

### 14 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (i) Income taxes and deferred tax

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

At 31 March 2014, the Group did not recognize deferred tax assets of HK\$49,658,000 in respect of tax losses and capital allowances amounting to HK\$190,064,000 and HK\$31,521,000 respectively that could be carried forward against future taxable income as the realization of the related tax benefits through future taxable profit is not probable. Estimating the amount of deferred tax asset arising from tax losses requires a process that involves determining appropriate provisions for income tax expense, forecasting future year's taxable income and assessing our ability to utilize tax benefits through future earnings. In cases where the actual future profits generated are different from original estimates than expected, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such circumstances are changed.

#### (ii) Impairment of investments in subsidiaries and non-financial assets

The Company conducts impairment reviews of investments in subsidiaries and non-financial assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable or tests for impairment annually in accordance with the relevant accounting standards. Determining whether an asset is impaired requires an estimation of the value in use, which requires the Group to estimate the future cash flows and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. In current financial year, after reviewing the business environment as well as the Group's objectives and past performance of the investments, management has concluded that there was no material impairment loss for the above assets at 31 March 2014.

**14 Critical accounting estimates and judgements (continued)**

**(iii) Write-downs of inventories to net realisable value**

The Group writes down inventories to net realisable value based on an estimate of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realized. The identification of write-downs requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the periods in which such estimate has been changed.

**(iv) Fair value estimation of share options**

The Group estimates the fair value of share options using a binomial lattice methodology which involves the use of estimates. Details of significant inputs to the valuation model are disclosed in Note 26.

**(v) Useful lives, residual values and depreciation of property, plant and equipment**

The Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. In addition, an independent professional valuer's report which has taken into account the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions, was also prepared to facilitate management decision. Management will revise the depreciation charge where useful lives or residual values are materially different from those previously estimated. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expenses in the future periods.



# Notes to the Consolidated Financial Statements

## 1 General information

Sa Sa International Holdings Limited ("Company") and its subsidiaries (together "Group") are principally engaged in the retailing and wholesaling of cosmetic products.

The Company is a limited liability company incorporated in Cayman Islands. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company has its listing on the Stock Exchange.

As at 31 March 2014, 49.02% of the total issued shares of the Company were owned by Sunrise Height Incorporated, a company incorporated in the British Virgin Islands. The directors regard Sunrise Height Incorporated, which is owned 50.0% each by Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor, as being the ultimate holding company of the Company.

These consolidated financial statements are presented in thousands of Hong Kong dollars (HK\$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 26 June 2014.

## 2 Revenue and turnover

### Accounting Policy

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue from the sale of goods and service is recognized on the transfer of risks and rewards of ownership, services provided, which generally coincides with the time of the payment in cash or by credit cards for retail sale or the time of delivery for wholesale and internet transactions. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

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

Sub-lease income is recognized in the income statement on a straight-line basis over the term of the lease.

The Group operates the "Customer Loyalty Programme" where certain customers accumulate points for purchases made which entitle them to purchase goods for free or at a discounted price. The award points are recognized as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale such that the award points are recognized at their fair value. Revenue from the award points is recognized when the points are redeemed or expired. The amount of initial revenue recognized is based on the number of points redeemed relative to the total number expected to be redeemed. The maximum life of award points is up to 12 months from date of issue. As most of the award points were expired as at 31 March 2014, there was no material deferred revenue as at 31 March 2014.

## 2 Revenue and turnover (continued)

The Group is principally engaged in the retailing and wholesaling of cosmetic products. Turnover represents the invoiced sales value of goods supplied to customers. An analysis of revenues recognized during the year is as follows:

	2014 HK\$'000	2013 HK\$'000
Turnover		
Retail and wholesale	8,756,105	7,669,798
Other income		
Slide display rental income	63,013	57,792
Sub-lease income	39,923	–
	102,936	57,792
	8,859,041	7,727,590

## 3 Segment information

### Accounting Policy

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

Executive directors of the Group review the internal reporting of the Group in order to assess performance and allocate resources. Executive directors consider the business principally from a geographic perspective and assess the performance of the geographic segments based on a measure of segments results. Business reportable segments identified are Hong Kong & Macau, Mainland China and All other segments. All other segments refer to segment results from markets in Singapore, Malaysia, Taiwan and e-commerce.

Segment assets consist primarily of property, plant and equipment, inventories, receivables and operating cash and exclude tax. Capital expenditure comprises additions to property, plant and equipment.

## Notes to the Consolidated Financial Statements

### 3 Segment information (continued)

The Group is mainly domiciled in Hong Kong & Macau. The breakdown of key segment information including total turnover from external customers is disclosed below.

	For the year ended 31 March 2014			
	Hong Kong & Macau HK\$'000	Mainland China HK\$'000	All other segments HK\$'000	Total HK\$'000
Turnover	7,122,090	365,820	1,268,195	8,756,105
Segment results	982,802	(67,761)	20,194	935,235
Other information				
Capital expenditure	210,110	18,387	39,329	267,826
Finance income	9,584	363	2,815	12,762
Finance costs	305	–	–	305
Income tax expenses	174,767	–	15,961	190,728
Depreciation	112,431	36,494	39,055	187,980

	For the year ended 31 March 2013			
	Hong Kong & Macau HK\$'000	Mainland China HK\$'000	All other segments HK\$'000	Total HK\$'000
Turnover	6,101,415	356,305	1,212,078	7,669,798
Segment results	817,922	(37,005)	44,717	825,634
Other information				
Capital expenditure	124,794	22,805	44,158	191,757
Finance income	4,837	45	2,627	7,509
Income tax expenses	155,237	–	13,807	169,044
Depreciation	101,136	35,381	36,121	172,638



### 3 Segment information (continued)

	Hong Kong & Macau HK\$'000	Mainland China HK\$'000	All other segments HK\$'000	Total HK\$'000
At 31 March 2014				
Non-current assets	487,070	32,212	100,806	620,088
Current assets	1,966,361	204,958	441,614	2,612,933
Deferred tax assets				4,406
				<u>3,237,427</u>
At 31 March 2013				
Non-current assets	387,282	65,115	105,529	557,926
Current assets	1,602,207	227,496	404,379	2,234,082
Deferred tax assets				5,233
				<u>2,797,241</u>

### 4 Other gains – net

	2014 HK\$'000	2013 HK\$'000
Net exchange gains	7,022	3,312

## Notes to the Consolidated Financial Statements

### 5 Expenses by nature

	2014 HK\$'000	2013 HK\$'000
Cost of inventories sold	4,634,892	4,081,225
Employee benefit expenses (including directors' emoluments) (Note 6)	1,111,445	1,014,461
Operating lease rentals in respect of land and buildings		
– minimum lease payments	886,113	711,146
– contingent rent	67,939	65,852
Depreciation of property, plant and equipment (Note 13)	187,980	172,638
Advertising and promotion expenses	180,548	140,423
Building management fees, government rent and rate	79,999	70,929
Utilities and telecom	66,070	60,133
Provision for slow moving inventories and stock shrinkage (Note 17)	48,226	30,229
Repair and maintenance	35,198	33,691
Sub-lease expenses	46,676	–
Impairment and write off of property, plant and equipment (Note 13)	14,668	6,413
Donations	5,967	4,228
Auditors' remuneration		
– audit services	3,480	3,323
– non-audit services	870	1,052
Others	382,486	347,990
	<b>7,752,557</b>	<b>6,743,733</b>
Representing:		
Cost of sales	4,683,118	4,111,454
Selling and distribution costs	2,728,230	2,360,620
Administrative expenses	341,209	271,659
	<b>7,752,557</b>	<b>6,743,733</b>

### 6 Employee benefit expenses (including directors' emoluments)

#### Accounting Policy No. 9

	2014 HK\$'000	2013 HK\$'000
Directors' fees	1,624	1,460
Basic salaries, bonuses, housing allowances, other allowances and benefits-in-kind	1,025,013	933,517
Provision for unutilized annual leave	6,776	4,319
Retirement benefit costs (Note 25(b))	54,749	47,237
Share-based payment	23,283	27,928
	<b>1,111,445</b>	<b>1,014,461</b>

## 7 Director and senior management emoluments

### (a) Directors' emoluments

Directors' emoluments comprise payments to the Company's directors (including the five highest paid individuals in the Group) in connection with management of affairs of the Company and the Group. The non-executive directors receive an annual director's fee of HK\$257,400 (2013: HK\$257,400) each; and for those acting as chairman of Audit Committee, Compensation Committee and Nomination Committee ("Committees"), an additional fee of HK\$8,000 (2013: HK\$8,000) is paid for their presidings at each of the Committee meetings.

The aggregate amounts of emoluments payable to the directors of the Company during the year were as follows:

	2014 HK\$'000	2013 HK\$'000
Directors' fees	1,624	1,460
Basic salaries, housing allowances, other allowances and benefits-in-kind	8,632	8,632
Discretionary bonuses	1,249	984
Retirement benefit costs	605	605
Share-based payment	12,722	21,892
	<u>24,832</u>	<u>33,573</u>

## Notes to the Consolidated Financial Statements

### 7 Director and senior management emoluments (continued)

#### (a) Directors' emoluments (continued)

The remuneration of each director of the Company during the year ended 31 March 2014 was set out below:

	Directors' fees HK\$'000	Basic salaries, housing allowances, other allowances and benefits- in-kind HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit costs HK\$'000	Share-based payment (i) HK\$'000	Total HK\$'000
<b>Executive Directors</b>						
Dr KWOK Siu Ming Simon, <i>BBS, JP (iii)</i>	-	2,858	238	200	-	3,296
Dr KWOK LAW Kwai Chun Eleanor, <i>BBS</i>	-	2,594	216	182	-	2,992
Dr LOOK Guy	-	3,180	795	223	12,722	16,920
<b>Non-executive Director</b>						
Ms LEE Yun Chun Marie-christine	257	-	-	-	-	257
<b>Independent Non-executive Directors</b>						
Professor CHAN Yuk Shee, <i>PhD, SBS, JP</i>	298	-	-	-	-	298
Dr LEUNG Kwok Fai Thomas, <i>PhD, BBS, JP</i>	274	-	-	-	-	274
Ms TAM Wai Chu Maria, <i>GBM, JP</i>	281	-	-	-	-	281
Ms KI Man Fung Leonie, <i>SBS, JP</i>	257	-	-	-	-	257
Mr TAN Wee Seng	257	-	-	-	-	257
	1,624	8,632	1,249	605	12,722	24,832

**7 Director and senior management emoluments (continued)**

**(a) Directors' emoluments (continued)**

The remuneration of each director of the Company during the year ended 31 March 2013 was set out below:

	Directors' fees HK\$'000	Basic salaries, housing allowances, other allowances and benefits- in-kind HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit costs HK\$'000	Share-based payment (i) HK\$'000	Total HK\$'000
<b>Executive Directors</b>						
Dr KWOK Siu Ming Simon, <i>BBS, JP (iii)</i>	-	2,858	238	200	-	3,296
Dr KWOK LAW Kwai Chun Eleanor, <i>BBS</i>	-	2,594	216	182	-	2,992
Dr LOOK Guy	-	3,180	530	223	21,892	25,825
<b>Non-executive Directors</b>						
Mrs LEE LOOK Ngan Kwan Christina (iv)	102	-	-	-	-	102
Ms LEE Yun Chun Marie-christine	24	-	-	-	-	24
<b>Independent Non-executive Directors</b>						
Professor CHAN Yuk Shee, <i>PhD, SBS, JP</i>	265	-	-	-	-	265
Dr LEUNG Kwok Fai Thomas, <i>PhD, BBS, JP</i>	265	-	-	-	-	265
Ms TAM Wai Chu Maria, <i>GBM, JP</i>	290	-	-	-	-	290
Ms KI Man Fung Leonie, <i>SBS, JP</i>	257	-	-	-	-	257
Mr TAN Wee Seng	257	-	-	-	-	257
	1,460	8,632	984	605	21,892	33,573

**Notes:**

- (i) Share-based payment represents amortization to the income statement of the fair value of share options measured at the respective grant dates, regardless of whether the share options would be exercised or not.
- (ii) During the years ended 31 March 2014 and 2013, no share options were granted to the executive director under the terminated 2002 Share Option Scheme and the 2012 Share Option Scheme.
- (iii) Dr KWOK Siu Ming Simon is the Chief Executive Officer of the Company.
- (iv) Mrs LEE LOOK Ngan Kwan Christina retired as a non-executive director of the Company with effect from 23 August 2012.

No compensation for loss of office has been paid to the directors for the years ended 31 March 2014 and 2013.

No director of the Company waived any emoluments during the years ended 31 March 2014 and 2013.

## Notes to the Consolidated Financial Statements

### 7 Director and senior management emoluments (continued)

#### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2013: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2013: two) individuals during the year were as follows:

	2014 HK\$'000	2013 HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	3,402	3,385
Discretionary bonuses	1,412	516
Retirement benefit costs	537	456
Share-based payment	845	473
	<u>6,196</u>	<u>4,830</u>

The emoluments of the individuals fell within the following bands:

Emoluments bands	Number of individuals	
	2014	2013
HK\$2,000,001 – HK\$2,500,000	–	2
HK\$2,500,001 – HK\$3,000,000	1	–
HK\$3,000,001 – HK\$3,500,000	1	–
	<u>2</u>	<u>2</u>

#### (c) Senior management emoluments

The details of the senior management emoluments payable during the year were as follows:

	2014 HK\$'000	2013 HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	4,498	4,375
Discretionary bonuses	1,546	728
Retirement benefit costs	607	525
Share-based payment	555	363
	<u>7,206</u>	<u>5,991</u>

One (2013: one) of the senior management emoluments are included in the analysis presented in Note 7(b) above.

**7 Director and senior management emoluments (continued)**

**(c) Senior management emoluments (continued)**

The emoluments of the individuals fell within the following bands:

Emoluments bands	Number of individuals	
	2014	2013
HK\$0 – HK\$500,000	1	–
HK\$1,500,001 – HK\$2,000,000	1	2
HK\$2,000,001 – HK\$2,500,000	1	1
HK\$2,500,001 – HK\$3,000,000	1	–
	4	3

**8 Finance income and costs**

 Accounting Policy 

Interest income is recognized on a time-proportion basis using the effective interest method.

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalised when they are directly attributable to the acquisition, construction or production of qualifying assets.

	2014 HK\$'000	2013 HK\$'000
Finance income on:		
Interest income on bank deposits	10,182	5,513
Others	2,580	1,996
	12,762	7,509
Finance costs on bank borrowings wholly repayable within one year	(305)	–
Finance income – net	12,457	7,509

# Notes to the Consolidated Financial Statements

## 9 Income tax expenses

### Accounting Policy

The tax expenses for the year comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Hong Kong profits tax has been provided for at the rate of 16.5% (2013: 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.

	2014 HK\$'000	2013 HK\$'000
Hong Kong profits tax		
Current	156,275	145,908
Over-provision in previous years	(280)	(63)
Overseas taxation		
Current	34,593	26,498
Under/(over)-provision in previous years	672	(103)
Deferred tax relating to origination and reversal of temporary differences (Note 16)	(532)	(3,196)
	190,728	169,044



## 9 Income tax expenses (continued)

The income tax expenses on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2014 HK\$'000	2013 HK\$'000
Profit before income tax	1,125,963	994,678
Tax calculated at a taxation rate of 16.5% (2013: 16.5%)	185,784	164,122
Effect of different taxation rates in other countries	(6,418)	(3,194)
Income not subject to income tax	(12,762)	(2,367)
Expenses not deductible for income tax purposes	4,850	1,117
Reversal of previously recognized deferred tax	2,563	–
Unrecognized tax losses	16,319	9,532
Under/(over)-provision in previous years	392	(166)
Income tax expenses	190,728	169,044

The effective tax rate was 16.9% (2013: 17.0%).

## 10 Profit for the year

Profit for the year is dealt with in the financial statements of the Company to the extent of HK\$888,113,000 (2013: HK\$921,870,000).

## 11 Earnings per share

(a) Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2014 HK\$'000	2013 HK\$'000
Profit attributable to owners of the Company	935,235	825,634
Weighted average number of ordinary shares in issue during the year (thousands)	2,834,224	2,821,311

## Notes to the Consolidated Financial Statements

### 11 Earnings per share (continued)

- (b) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done 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.

	2014 HK\$'000	2013 HK\$'000
Profit attributable to owners of the Company	935,235	825,634
Weighted average number of ordinary shares in issue during the year (thousands)	2,834,224	2,821,311
Adjustment for share options (thousands)	12,453	9,219
Weighted average number of ordinary shares for diluted earnings per share (thousands)	2,846,677	2,830,530

### 12 Dividends – Company

	2014 HK\$'000	2013 HK\$'000
Interim, paid – 4.5 HK cents (2013: 2.5 HK cents) per share	127,852	70,673
Special, paid – 4.5 HK cents (2013: 4.5 HK cents) per share	127,852	127,211
Final, proposed and declared – 9.0 HK cents (2013: 5.0 HK cents) per share	255,890	141,473
Special, proposed and declared – 5.5 HK cents (2013: 9.0 HK cents) per share	156,377	254,652
	667,971	594,009

At a meeting held on 26 June 2014, the directors proposed and declared a final dividend of 9.0 HK cents and a special dividend of 5.5 HK cents per share. These proposed and declared 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 2015 if approved by the shareholders.

### 13 Property, plant and equipment

#### Accounting Policy

Land and buildings comprise mainly of offices. Leasehold land classified as finance lease and all other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Leasehold land classified as finance lease commences depreciation from the time when the land interest becomes available for its intended use. Depreciation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Over remaining lease term
Buildings	20-36 years
Leasehold improvements	1-6 years
Equipment, furniture and fixtures	3-5 years
Motor vehicles and vessel	4-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Accounting Policy No. 6).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognized in the income statement.

## Notes to the Consolidated Financial Statements

### 13 Property, plant and equipment (continued)

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Equipment, furniture and fixtures HK\$'000	Motor vehicles and vessel HK\$'000	Total HK\$'000
At 31 March 2012					
Cost	85,964	460,115	191,287	21,596	758,962
Accumulated depreciation	(32,949)	(263,034)	(117,783)	(12,443)	(426,209)
Net book amount	53,015	197,081	73,504	9,153	332,753
Year ended 31 March 2013					
Opening net book amount	53,015	197,081	73,504	9,153	332,753
Exchange differences	–	215	(194)	(3)	18
Additions	–	149,318	42,307	132	191,757
Disposals	–	(2,166)	(116)	–	(2,282)
Write-off	–	(4,397)	(2,016)	–	(6,413)
Depreciation	(1,861)	(131,674)	(35,993)	(3,110)	(172,638)
Closing net book amount	51,154	208,377	77,492	6,172	343,195
At 31 March 2013					
Cost	85,964	526,301	219,378	20,812	852,455
Accumulated depreciation	(34,810)	(317,924)	(141,886)	(14,640)	(509,260)
Net book amount	51,154	208,377	77,492	6,172	343,195
Year ended 31 March 2014					
Opening net book amount	51,154	208,377	77,492	6,172	343,195
Exchange differences	–	(613)	(1,140)	9	(1,744)
Additions	95,530	118,516	50,675	3,105	267,826
Disposals	–	(779)	(414)	–	(1,193)
Write-off	–	(1,530)	(468)	–	(1,998)
Depreciation	(3,045)	(140,117)	(41,454)	(3,364)	(187,980)
Impairment losses	–	(11,023)	(1,647)	–	(12,670)
Closing net book amount	143,639	172,831	83,044	5,922	405,436
At 31 March 2014					
Cost	181,494	591,259	242,322	22,805	1,037,880
Accumulated depreciation and impairment	(37,855)	(418,428)	(159,278)	(16,883)	(632,444)
Net book amount	143,639	172,831	83,044	5,922	405,436

- (a) The land and buildings are situated in Hong Kong and held under medium term leases between 10 to 50 years.
- (b) Depreciation expense of HK\$161,845,000 (2013: HK\$153,399,000) was included in selling and distribution costs and HK\$26,135,000 (2013: HK\$19,239,000) was included in administrative expenses.
- (c) During the year ended 31 March 2014, the Group assessed the recoverable amounts of its cash-generating units and as a result the carrying amount of the certain cash-generating units of HK\$12,670,000 (2013: Nil) was written down. The Group regards its individual retail stores as separately identifiable cash-generating units. An impairment loss of HK\$12,670,000 (2013: Nil) was recognized in selling and distribution costs. The estimates of recoverable amount were based on the cash-generating units' net book value of property, plant and equipment and present value of future operating cash flow.

## 14 Investments in and amounts due from subsidiaries – Company

### Accounting Policy No. 3

	2014 HK\$'000	2013 HK\$'000
Unlisted shares, at cost	44,746	30,048
Amounts due from subsidiaries (Note (b))	1,963,082	1,765,694
Provision for impairment of amounts due from subsidiaries	(450,932)	(450,932)
	<b>1,556,896</b>	<b>1,344,810</b>

- (a) Details of the Company's principal subsidiaries are set out in Note 32 to the consolidated financial statements.
- (b) The amounts due from subsidiaries are unsecured, interest-free, and are repayable on demand. These amounts are considered equity in nature.

## 15 Rental deposits, prepayments and other assets

### Accounting Policy No. 7

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Rental and other deposits	209,100	205,724	–	–
Prepayments	–	3,455	–	–
Others	5,552	5,552	750	750
	<b>214,652</b>	<b>214,731</b>	<b>750</b>	<b>750</b>

Rental deposits are carried at amortized cost using the effective interest rate of 0.63%–1.22% per annum (2013: 0.63%–2.40% per annum). At 31 March 2014, the carrying amounts of rental deposits approximate their fair values.

# Notes to the Consolidated Financial Statements

## 16 Deferred tax

### Accounting Policy

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2013: 16.5%).

The movement in net deferred tax assets account is as follows:

	2014 HK\$'000	2013 HK\$'000
At beginning of the year	3,732	477
Deferred tax credited to the income statement (Note 9)	532	3,196
Exchange differences	(151)	59
At end of the year	4,113	3,732

Deferred tax assets are recognized for tax losses carry forward to the extent that realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred tax assets of HK\$49,658,000 (2013: HK\$35,833,000) in respect of tax losses amounting to HK\$190,064,000 (2013: HK\$153,931,000) and capital allowances amounting to HK\$31,521,000 (2013: Nil) that can be carried forward against future taxable income. Tax losses amounting to HK\$169,722,000 (2013: HK\$135,229,000) and HK\$7,282,000 (2013: HK\$14,471,000) will expire within 1-5 years and 5-10 years respectively from 31 March 2014. The remaining tax losses have no expiry date.

## 16 Deferred tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to off-set current income tax assets against current income tax liabilities and when the deferred taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	2014 HK\$'000	2013 HK\$'000
Deferred tax assets	4,406	5,233
Deferred tax liabilities	(293)	(1,501)
	<b>4,113</b>	<b>3,732</b>

The deferred tax assets and liabilities are expected to be recovered and crystallised after more than 12 months.

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Deferred tax assets	Decelerated tax depreciation		Provisions		Tax losses		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of year	3,305	3,594	5,248	3,661	–	–	8,553	7,255
(Charged)/credited to the income statement	(2,044)	(327)	208	1,594	207	–	(1,629)	1,267
Exchange differences	(45)	38	(250)	(7)	–	–	(295)	31
At end of year	1,216	3,305	5,206	5,248	207	–	6,629	8,553

Deferred tax liabilities	Accelerated tax depreciation	
	2014	2013
	HK\$'000	HK\$'000
At beginning of year	4,821	6,778
Credited to the income statement	(2,161)	(1,929)
Exchange differences	(144)	(28)
At end of year	2,516	4,821

# Notes to the Consolidated Financial Statements

## 17 Inventories

### Accounting Policy

Inventories comprise merchandise and are stated at the lower of cost and net realisable value.

Cost represents the invoiced cost of inventories plus the applicable freight and duties. Costs are assigned to individual items on the weighted-average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges purchases of inventories.

Please refer to Accounting Policy No.14 (iii) for details on write-downs of inventories to net realisable value.

	2014 HK\$'000	2013 HK\$'000
Merchandise stock for resale	1,373,213	1,234,976

The cost of inventories recognized as expense and included in cost of sales amounted to HK\$4,634,892,000 (2013: HK\$4,081,225,000).

During the year, the Group has made a provision of HK\$48,226,000 for slow moving inventories and stock shrinkage (2013: HK\$30,229,000). The amount was included in cost of sales in the consolidated income statement.

## 18 Trade receivables

### Accounting Policy

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

A provision for impairment loss on trade receivables is established when there is objective evidence that the Group will not be able to collect the amounts due according to the original terms of receivables. Objective evidence of impairment includes significant financial difficulty, the Group's past experience of collecting payments, and observable changes in national or local economic conditions that correlate with default on receivables. The impairment is the difference between trade receivable's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the receivables is reduced through the use of an allowance account and the amount of the impairment loss is charged to the income statement. When the receivable is uncollectable, it is written off from the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the income statement.



**18 Trade receivables (continued)**

	2014 HK\$'000	2013 HK\$'000
Trade receivables	52,518	93,270
Less: provision for impairment losses on trade receivables	(400)	(302)
Trade receivables – net	52,118	92,968

The carrying amounts of trade receivables approximate their fair values.

The Group's turnover comprises mainly cash sales and credit card sales. Certain wholesale customers are granted credit terms ranging from 7 to 90 days. The ageing analysis of trade receivables is as follows:

	2014 HK\$'000	2013 HK\$'000
Within 1 month	49,507	83,242
1 to 3 months	2,485	9,214
Over 3 months	126	512
	52,118	92,968

As at 31 March 2014, trade receivables of HK\$1,991,000 (2013: HK\$2,084,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2014 HK\$'000	2013 HK\$'000
1 to 3 months	1,865	1,775
Over 3 months	126	309
	1,991	2,084

Trade receivables are denominated in the following currencies:

	2014 HK\$'000	2013 HK\$'000
Hong Kong dollar	19,935	56,633
Taiwan dollar	14,451	15,142
Renminbi	12,932	13,165
Others	4,800	8,028
	52,118	92,968

## Notes to the Consolidated Financial Statements

### 18 Trade receivables (continued)

Movement in the Group's provision for impairment of trade receivables is as follows:

	2014 HK\$'000	2013 HK\$'000
At 1 April	302	302
Provision for impairment	214	–
Receivable written off during the year as uncollectible	(120)	–
Exchange differences	4	–
At 31 March	400	302

During the year, the Group has made a provision for impairment losses on trade receivables of HK\$214,000 (2013: Nil). The provision has been included in selling and distribution costs.

The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to the historical information about counter party default rates. The existing counter parties do not have significant default in the past. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

The maximum exposure to credit risk at the reporting date is the carrying value of trade and other receivables. The Group does not hold any collateral as security.

### 19 Other receivables, deposits and prepayments

#### Accounting Policy

Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

If collection of other receivables is expected to be in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Rental and other deposits	80,905	75,539	–	–
Prepayments	75,593	31,735	271	255
Forward foreign exchange contracts (Note 24)	167	–	–	–
Other receivables and payment in advance	41,597	46,809	2,069	265
	198,262	154,083	2,340	520

The carrying amounts of other receivables and deposits approximate their fair values.

## 20 Cash and bank balances

### Accounting Policy

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Time deposits	570,560	209,092	345,779	74,000
Cash at bank and on hand	316,495	245,043	2,988	6,819
Short-term bank deposits	102,285	297,920	–	175,000
Cash and cash equivalents	418,780	542,963	2,988	181,819
Total	989,340	752,055	348,767	255,819

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Hong Kong dollar	430,808	431,287	200,846	255,444
Renminbi	373,640	119,862	147,546	–
Malaysian Ringit	75,209	80,727	–	–
Singapore dollar	34,218	23,846	–	–
Taiwan dollar	29,860	27,419	–	–
Euro	11,057	21,261	–	–
US dollar	10,516	20,489	375	375
Others	24,032	27,164	–	–
	989,340	752,055	348,767	255,819

The year-end effective interest rate on time deposits over three months was 2.83% per annum (2013: 1.52% per annum). These deposits have an average maturity of 8 months (2013: 6 months).

The year-end effective interest rate on short-term bank deposits was 2.23% per annum (2013: 1.60% per annum). These deposits have an average maturity of 1 month (2013: 2.5 months).

As at 31 March 2014, out of the total cash and bank balances denominated in Renminbi and Malaysian Ringit as stated above, approximately HK\$27,064,000 (2013: HK\$35,368,000) were kept in Mainland China and Malaysia. The remittance of these funds out of Mainland China and Malaysia is subject to applicable foreign exchange restrictions imposed by the respective local governments.

# Notes to the Consolidated Financial Statements

## 21 Trade payables

### Accounting Policy

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

The ageing analysis of trade payables is as follows:

	2014 HK\$'000	2013 HK\$'000
Within 1 month	278,721	261,673
1 to 3 months	88,361	118,078
Over 3 months	24,492	31,480
	<b>391,574</b>	<b>411,231</b>

The carrying amounts of trade payables approximate their fair values.

Trade payables are denominated in the following currencies:

	2014 HK\$'000	2013 HK\$'000
Hong Kong dollar	206,414	195,370
US dollar	40,685	48,902
Euro	36,451	48,686
Renminbi	37,066	45,064
Taiwan dollar	27,444	31,509
Swiss Franc	15,432	11,557
Malaysian Ringit	14,081	12,305
Singapore dollar	9,606	9,221
Others	4,395	8,617
	<b>391,574</b>	<b>411,231</b>

## 22 Other payables and accruals

### Accounting Policy

Other payables and accruals are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Accrued staff costs	107,974	142,035	–	–
Accrued rental related expenses	52,750	45,368	–	–
Accrued advertising and promotion expenses	26,767	28,457	–	–
Customers' deposits and temporary receipts	25,759	11,515	–	–
Value-added tax and other tax payables	17,026	15,657	–	–
Forward foreign exchange contracts (Note 24)	168	656	–	–
Other payables and accruals	71,372	73,567	1,419	6,161
	301,816	317,255	1,419	6,161

## 23 Borrowings

### Accounting Policy

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

## Notes to the Consolidated Financial Statements

### 23 Borrowings (continued)

	2014 HK\$'000	2013 HK\$'000
Bank borrowings repayable within 1 year	80,000	–

The carrying amounts of the bank borrowings are denominated in Hong Kong dollar and approximate their fair values.

The weighted average interest rate of bank borrowings is 1.0% per annum (2013: Nil).

As at 31 March 2014, short term bank borrowings of a subsidiary of the Company are secured by a corporate guarantee given by the Company.

### 24 Forward foreign exchange contracts

#### Accounting Policy

##### (a) Cash flow hedges

In the current year, the Group designated certain forward foreign exchange contracts as cash flow hedges to hedge against the Group's purchases denominated in Euro, Swiss Franc and Japanese Yen. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as cash flow hedge: hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within "other gains – net".

**24 Forward foreign exchange contracts (continued)**

Accounting Policy

(a) Cash flow hedges (continued)

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast purchase that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example inventory), the gains and losses previously deferred in hedging reserve are transferred from hedging reserve and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of goods sold when these inventory are sold.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time, is recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in hedging reserve is immediately transferred to the income statement within “other gains – net”.

(b) Derivates not qualifying for hedge accounting or held for trading purposes

Certain derivates instruments do not qualify for hedge accounting. Any gains or losses arising from the change in the fair value of derivates that do not qualify for hedge accounting is recognized immediately in the income statement.

	2014		2013	
	Current assets HK\$'000	Current liabilities HK\$'000	Current assets HK\$'000	Current liabilities HK\$'000
Forward foreign exchange contracts				
– cash flow hedge	167	168	–	656

The maturity dates of the outstanding forward foreign exchange contracts are within one year and are classified as current assets/current liabilities.

As at 31 March 2014, the notional principal amount of the outstanding forward foreign exchange contracts under cash flow hedges was HK\$37,800,000 (2013: HK\$18,273,000). The hedges related to highly probable forecasted purchases denominated in Euro, Swiss Franc and Japanese Yen which are expected to occur at various dates within a 12-month period. Gains and losses of forward foreign exchange contracts recorded in the hedging reserve in the equity for the year ended 31 March 2014 are to be recognized within cost of sales in the consolidated income statement when the underlying hedged transactions are completed and taken into the consolidated income statement.

The forward foreign exchange contracts entered for the year ended 31 March 2014 were determined to be effective hedges. There was no ineffectiveness to be recognized in the consolidated income statement.

## Notes to the Consolidated Financial Statements

### 25 Retirement benefit obligations

Accounting Policy No. 9

#### (a) Retirement benefit obligations

	2014 HK\$'000	2013 HK\$'000
Retirement benefit obligations on:		
– defined benefit plan (Note 25 (b)(ii))	(162)	(382)
– long service payments (Note 25 (b)(iii))	5,887	4,231
	<u>5,725</u>	<u>3,849</u>

#### (b) Retirement benefit costs

	2014 HK\$'000	2013 HK\$'000
Retirement benefit costs charged to income statement:		
Retirement benefit costs (Note 6)		
– defined contribution plans (Note 25 (b)(i))	53,384	46,422
– defined benefit plan (Note 25 (b)(ii))	154	(30)
	<u>53,538</u>	<u>46,392</u>
– long service payments (Note 25 (b)(iii))	1,211	845
	<u>54,749</u>	<u>47,237</u>
Retirement benefit costs charged to other comprehensive income:		
– defined benefit plan (Note 25 (b)(ii))	143	–
– long service payments (Note 25 (b)(iii))	743	–
	<u>886</u>	<u>–</u>



## 25 Retirement benefit obligations (continued)

### (b) Retirement benefit costs (continued)

Notes:

- (i) Prior to 1 December 2000, certain subsidiaries of the Group in Hong Kong operated a defined contribution retirement benefit plan ("Retirement Scheme") for the employees in Hong Kong. On 1 December 2000, the Retirement Scheme was suspended and replaced by the Mandatory Provident Fund Scheme ("MPF Scheme") mentioned below. No more contribution was made to the Retirement Scheme. The assets of the Retirement Scheme are separately controlled and administered by independent trustees. Employees who contributed to the Retirement Scheme are entitled to the retirement benefits under this Retirement Scheme as well as the MPF Scheme.

From 1 December 2000, the subsidiaries of the Group in Hong Kong elected to contribute to the MPF Scheme. The MPF Scheme is a defined contribution retirement benefit plan administered by independent trustees. Under the MPF Scheme, both the employer and employees are required to contribute 5% of the employee's monthly salaries (capped at HK\$25,000). Contributions from the employer equivalent to the contribution as specified at the rules of the MPF Scheme are 100% vested as soon as they are paid to the relevant MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the age of 65, subject to a few exceptions. As to the employer's contribution in excess of the portion vested in the MPF Scheme the employees are entitled to 100% of it after 10 years of completed service or at a reduced scale after completion of 3 to 9 years' service. The forfeited contributions are to be used to reduce the employer's contribution.

The employees of the Group in Mainland China are members of state-managed retirement benefit schemes operated by the respective local government in Mainland China. The Group is required to contribute a specified percentage of payroll costs to the scheme to fund the benefits. The only obligation of the Group with respect to these schemes is to make the specified contributions.

The Group also participates in a post employment benefit plan and employees provident fund in Singapore and Malaysia respectively. The Group pays contribution to a separate entity and will have no legal or construction obligation to pay further amounts.

- (ii) A branch of a wholly-owned subsidiary of the Group in Taiwan participates in a central defined benefit retirement plan ("Old Retirement Plan") providing benefits to all employees in accordance with the Labor Standards Law (as amended) in Taiwan. The Group has an obligation to ensure that there are sufficient funds in the Old Retirement Plan to pay the benefits earned. The branch currently contributes at 2% of the total salaries as determined and approved by the relevant government authorities. The assets of the Old Retirement Plan are invested by the Central Trust of China and the assets are held separately from those of the Group in independent administered funds.

The latest actuarial valuation was prepared as at 31 March 2014 by Towers Watson Hong Kong Limited, a qualified actuary, using the projected unit credit method.

Effective from 1 July 2005, a new retirement plan ("New Retirement Plan") was launched in Taiwan, which is a defined contribution retirement benefit plan administered by the local government and followed the local statutory requirements. Employee can choose to stay in the Old Retirement Plan or participate in the New Retirement Plan.

## Notes to the Consolidated Financial Statements

### 25 Retirement benefit obligations (continued)

#### (b) Retirement benefit costs (continued)

Notes: (continued)

The amounts recognized in the consolidated statement of financial position are determined as follows:

	2014 HK\$'000	2013 HK\$'000
Present value of funded obligations	2,701	2,809
Fair value of plan assets	(2,863)	(3,191)
Net asset in the statement of financial position (Note 25 (a))	(162)	(382)

The movement of defined benefit plan during the year as follow:

	Fair value of plan assets HK\$'000	Present value of funded obligations HK\$'000	Total HK\$'000
At 1 April 2013	(3,191)	2,809	(382)
Current service cost	–	158	158
Interest (income)/expense	(34)	30	(4)
Retirement benefit costs (credited)/charged to income statement	(34)	188	154
Remeasurements:			
Actuarial loss – experience	–	871	871
Actuarial gain – financial assumptions	–	(426)	(426)
Actuarial gain – demographic assumptions	–	(299)	(299)
Return on scheme assets greater than discount rate	(3)	–	(3)
Retirement benefit costs (credited)/charged to other comprehensive income	(3)	146	143
Employer contributions	(98)	–	(98)
Less: benefits paid from scheme assets	288	(288)	–
Exchange difference	174	(153)	21
At 31 March 2014	(2,864)	2,702	(162)

**25 Retirement benefit obligations (continued)**
**(b) Retirement benefit costs (continued)**

Notes: (continued)

	Fair value of plan assets HK\$'000	Present value of funded obligations HK\$'000	Total HK\$'000
At 1 April 2012	(3,024)	2,772	(252)
Current service cost	–	32	32
Interest (income)/expense	(126)	64	(62)
Retirement benefit costs (credited)/charged to			
income statement	(126)	96	(30)
Employer contributions	(94)	–	(94)
Less: benefits paid from scheme assets	94	(94)	–
Exchange difference	(41)	35	(6)
At 31 March 2013	(3,191)	2,809	(382)

The principal actuarial assumptions used are as follows:

	2014 %	2013 %
Discount rate	2.1	1.1
Expected rate of future salary increases	3.0	0 – 3.0

The sensitivity of the defined benefit plan obligation to changes in the weighted principal assumption is as follows:

Assumption	Change to adopted rate	Effect on defined benefit plan obligation
Discount rate	+0.25%	-3.2%
	-0.25%	+3.4%
Expected rate of future salary increases	+0.25%	+3.3%
	-0.25%	-3.2%

# Notes to the Consolidated Financial Statements

## 25 Retirement benefit obligations (continued)

### (b) Retirement benefit costs (continued)

Notes: (continued)

- (iii) The Group's provision for long service payments are determined based on the actuarial valuation as at 31 March 2014 prepared by Towers Watson Hong Kong Limited, a qualified actuary, using the projected unit credit method.

The movement of long service payments during the year as follow:

	Present value of funded obligations	
	2014 HK\$'000	2013 HK\$'000
At 1 April	4,231	3,505
Current service cost	1,166	800
Interest income on scheme assets	45	45
Retirement benefit costs charged to income statement	1,211	845
Remeasurements:		
Actuarial loss – experience	1,051	324
Actuarial gain – financial assumptions	(308)	(315)
Actuarial gain – demographic assumptions	–	(9)
Retirement benefit costs charged to other comprehensive income	743	–
Benefits paid directly by the employer	(298)	(119)
At 31 March	5,887	4,231

The principal actuarial assumptions used are as follows:

	2014 %	2013 %
Discount rate	2.1	0.8
Expected rate of future salary increases	4.5	4.5 – 5.0

The sensitivity of the long service payments to changes in the weighted principal assumption is as follows:

Assumption	Change to adopted rate	Effect on defined benefit plan obligation
Discount rate	+0.25%	-2.1%
	-0.25%	+2.2%
Expected rate of future salary increases	+0.25%	+6.3%
	-0.25%	-6.7%

## 26 Share capital

### Accounting Policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Please refer to Accounting Policy No.10 for details on share options.

Authorised shares of HK\$0.1 each	Note	No. of shares	HK\$'000
At 31 March 2013 and 2014		8,000,000,000	800,000
Issued and fully paid shares of HK\$0.1 each			
At 1 April 2012		2,814,668,730	281,467
Issue of shares upon exercise of share options	(a)	12,242,666	1,224
At 31 March 2013		2,826,911,396	282,691
Issue of shares upon exercise of share options	(a)	16,148,124	1,615
At 31 March 2014		2,843,059,520	284,306

Notes:

**(a) Issue of shares upon exercise of share options granted under the terminated 2002 Share Option Scheme**

During the year, a total of 16,148,124 (2013: 12,242,666) shares were issued to a director and certain employees of the Company pursuant to the exercises of share options under the terminated 2002 Share Option Scheme. The proceeds of the issues totalling HK\$47,152,000 (2013: HK\$13,344,000) included share premium amounting to HK\$45,537,000 (2013: HK\$12,120,000).

# Notes to the Consolidated Financial Statements

## 26 Share capital (continued)

### (b) Share options

The outstanding share options of the Company were granted under:

- (i) the terminated 2002 Share Option Scheme; and
- (ii) the 2012 Share Option Scheme.

Movements in the number of share options outstanding are as follows:

	No. of share options year ended 31 March	
	2014	2013
At beginning of the year	51,440,112	57,336,778
Granted	9,088,000	7,567,000
Exercised	(16,148,124)	(12,242,666)
Lapsed	(1,367,000)	(1,221,000)
At end of the year	43,012,988	51,440,112

The expiry dates and subscription prices of the share options outstanding as at 31 March 2014 were set out as follows:

Expiry date	Subscription price per Share (HK\$)	No. of share options outstanding as at 31 March	
		2014	2013
<b>2002 Share Option Scheme</b>			
29 October 2013	0.84	–	1,384,124
1 March 2019	1.095	–	5,000,000
29 September 2020	3.16	906,000	4,720,000
16 June 2021	4.95	4,626,000	4,980,000
28 February 2022	4.77	22,145,988	28,145,988
28 June 2022	4.85	6,703,000	7,210,000
<b>2012 Share Option Scheme</b>			
20 June 2023	8.07	8,632,000	–
		43,012,988	51,440,112

The weighted average fair value of share options granted during the year was determined using the binomial lattice model, prepared by HSBC Life (International) Limited, was HK\$2.18 per option (2013: HK\$1.48). The significant inputs into the model were share price of HK\$7.44 at the grant date, exercise price of HK\$8.07 (2013: HK\$4.85), volatility of 46.0% (2013: 46.0%), dividend yields of 4.0% (2013: 4.0%), an expected option life of around six years (2013: 6 years) and an annual risk-free interest rate of 1.3% (2013: 0.5%). The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last six years. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

## 27 Reserves

### (a) Group

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Hedging reserve HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2013	607,105	11,783	39,842	(591)	20,453	1,014,191	1,692,783
Profit for the year	-	-	-	-	-	935,235	935,235
Other comprehensive loss							
Actuarial losses on retirement benefit obligation	-	-	-	-	-	(886)	(886)
Cash flow hedges, net of tax	-	-	-	593	-	-	593
Currency translation differences of foreign subsidiaries recorded in exchange reserve	-	-	-	-	(8,770)	-	(8,770)
Total comprehensive income for the year ended 31 March 2014	-	-	-	593	(8,770)	934,349	926,172
Employee share option scheme:							
Value of employee services	-	-	23,283	-	-	-	23,283
Proceeds from shares issued upon exercise of options (Note 26 (a))	45,537	-	-	-	-	-	45,537
Transfer of reserve upon exercise of options	13,326	-	(13,326)	-	-	-	-
Unclaimed dividends forfeited	-	-	-	-	-	5,241	5,241
2012/2013 Final and Special dividends paid	-	-	-	-	-	(396,489)	(396,489)
2013/2014 Interim dividend paid	-	-	-	-	-	(127,852)	(127,852)
2013/2014 Special dividend paid	-	-	-	-	-	(127,852)	(127,852)
	58,863	-	9,957	-	-	(646,952)	(578,132)
At 31 March 2014	665,968	11,783	49,799	2	11,683	1,301,588	2,040,823

## Notes to the Consolidated Financial Statements

### 27 Reserves (continued)

#### (a) Group (continued)

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Hedging reserve HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2012	591,256	11,783	15,643	–	19,733	710,942	1,349,357
Profit for the year	–	–	–	–	–	825,634	825,634
Other comprehensive income							
Cash flow hedges, net of tax	–	–	–	(591)	–	–	(591)
Currency translation differences of foreign subsidiaries recorded in exchange reserve	–	–	–	–	720	–	720
Total comprehensive income for the year ended 31 March 2013	–	–	–	(591)	720	825,634	825,763
Employee share option scheme:							
Value of employee services	–	–	27,928	–	–	–	27,928
Proceeds from shares issued upon exercise of options (Note 26 (a))	12,120	–	–	–	–	–	12,120
Transfer of reserve upon exercise of options	3,729	–	(3,729)	–	–	–	–
2011/2012 Final and Special dividends paid	–	–	–	–	–	(324,501)	(324,501)
2012/2013 Interim dividend paid	–	–	–	–	–	(70,673)	(70,673)
2012/2013 Special dividend paid	–	–	–	–	–	(127,211)	(127,211)
	15,849	–	24,199	–	–	(522,385)	(482,337)
At 31 March 2013	607,105	11,783	39,842	(591)	20,453	1,014,191	1,692,783



**27 Reserves (continued)**
**(b) Company**

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2013	607,105	11,783	39,842	654,317	1,313,047
Profit for the year	–	–	–	888,113	888,113
Employee share option scheme:					
Value of employee services	–	–	23,283	–	23,283
Proceeds from shares issued upon exercise of options (Note 26 (a))	45,537	–	–	–	45,537
Transfer of reserve upon exercise of options	13,326	–	(13,326)	–	–
Unclaimed dividends forfeited	–	–	–	5,241	5,241
2012/2013 Final and Special dividends paid	–	–	–	(396,489)	(396,489)
2013/2014 Interim dividend paid	–	–	–	(127,852)	(127,852)
2013/2014 Special dividend paid	–	–	–	(127,852)	(127,852)
	58,863	–	9,957	(646,952)	(578,132)
At 31 March 2014	665,968	11,783	49,799	895,478	1,623,028

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2012	591,256	11,783	15,643	254,832	873,514
Profit for the year	–	–	–	921,870	921,870
Employee share option scheme:					
Value of employee services	–	–	27,928	–	27,928
Proceeds from shares issued upon exercise of options (Note 26 (a))	12,120	–	–	–	12,120
Transfer of reserve upon exercise of options	3,729	–	(3,729)	–	–
2011/2012 Final and Special dividends paid	–	–	–	(324,501)	(324,501)
2012/2013 Interim dividend paid	–	–	–	(70,673)	(70,673)
2012/2013 Special dividend paid	–	–	–	(127,211)	(127,211)
	15,849	–	24,199	(522,385)	(482,337)
At 31 March 2013	607,105	11,783	39,842	654,317	1,313,047

## Notes to the Consolidated Financial Statements

### 28 Consolidated statement of cash flows

#### Cash generated from operations

	2014 HK\$'000	2013 HK\$'000
Profit for the year	935,235	825,634
Adjustments for:		
– Income tax expense	190,728	169,044
– Depreciation of property, plant and equipment	187,980	172,638
– Impairment and write-off of property, plant and equipment	14,668	6,413
– Gains on disposal of property, plant and equipment	(2,726)	(744)
– Share-based payment	23,283	27,928
– Finance income	(12,762)	(7,509)
– Finance costs	305	–
Changes in working capital	1,336,711	1,193,404
– Inventories	(138,237)	(43,917)
– Trade receivables	40,850	(22,491)
– Other receivables, deposits and prepayments	(38,992)	(97,264)
– Trade payables	(19,657)	(39,455)
– Other payables and accruals	8,910	32,079
– Retirement benefit obligations	1,876	596
Cash generated from operations	1,191,461	1,022,952

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2014 HK\$'000	2013 HK\$'000
Net book amount (Note 13)	1,193	2,282
– Gains on disposal of property, plant and equipment	2,726	744
Proceeds from disposal of property, plant and equipment	3,919	3,026

## 29 Commitments

### (a) Capital commitments in respect of acquisition of property, plant and equipment

	2014 HK\$'000	2013 HK\$'000
Contracted but not provided for	18,202	23,453
Authorised but not contracted	160,951	206,276
	179,153	229,729

The amount of capital commitments authorised but not contracted represents the Group's estimated capital expenditure based on the annual budget approved by the board of directors.

The Company does not have any material capital commitments.

### (b) Commitments under operating leases

As at 31 March 2014, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2014 HK\$'000	2013 HK\$'000
Land and buildings		
Within one year	887,765	859,506
In the second to fifth year inclusive	1,018,694	1,131,939
After the fifth year	7,756	6,490
	1,914,215	1,997,935

### (c) Operating leases rental receivables

As at 31 March 2014, the Group had total future aggregate minimum lease payments receivable under non-cancellable operating leases as follows:

	2014 HK\$'000	2013 HK\$'000
Land and buildings		
Within one year	49,933	—
In the second to fifth year inclusive	83,770	—
	133,703	—

## Notes to the Consolidated Financial Statements

### 30 Related party transactions

#### Accounting Policy

Related parties are individuals and companies, including subsidiaries, fellow subsidiaries, jointly controlled entities, associated companies and key management personnel, where the individual or company has the ability, directly or indirectly, control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions. A close family member of any such individual is considered to be a related party.

#### (a) Rental income

	2014 HK\$'000	2013 HK\$'000
Rental income from executive director	81	—

Rental income is mutually agreed by both parties.

#### (b) Purchase of goods

	2014 HK\$'000	2013 HK\$'000
Purchase of goods from an entity related to a senior management	428	366
Purchase of goods from an entity controlled by an independent non-executive director	—	297

Goods are bought from the above entity at prices mutually agreed by both parties.

**30 Related party transactions (continued)****(c) Key management personnel compensation**

Key management personnel represents individual who has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions.

Key management personnel compensation is disclosed as follows:

	2014 HK\$'000	2013 HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	42,957	35,851
Retirement benefit costs	2,209	1,914
Share-based payment	15,859	23,876
	61,025	61,641

**31 Event after the reporting period**

On 11 April 2014, the Company adopted a Share Award Scheme ("Scheme") which any selected employees of the Group is entitled to participate in. Under the Scheme, the Board may at its absolute discretion, select any eligible employee and award issued shares to them at no consideration. Shares will be acquired by the independent trustee, at the costs of the Group, and held as part of the trust fund for granting awards under the Scheme. Shares awarded will be vested according to the terms of grant determined by the Board. The total number of shares to be awarded under the Scheme is limited to 5% of the issued share capital of the Company and the maximum number of shares which may be awarded to a selected employee under the Scheme shall not exceed 1% of the total issued shares from time to time. The scheme shall be valid and effective for a term of 15 years from the adoption date or until such date of early termination as determined by the Board. No shares have been acquired by the independent trustee and awarded by the Company under the Scheme since its adoption.

## Notes to the Consolidated Financial Statements

### 32 Principal subsidiaries

Particulars of the principal subsidiaries at 31 March 2014:

Name	Place of incorporation/ kind of legal entity	Principal activities and place of operation (if different from place of incorporation)	Particulars of issued share capital/ paid up share capital	Indirect interest held
Base Sun Investment Limited	Hong Kong, limited liability company	Property holding	Ordinary HK\$100 Deferred HK\$2	100%
Cyber Colors Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$1	100%
Docile Company Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$2	100%
Elegance Trading (Shanghai) Company Limited (Note 1)	PRC, limited liability company	Wholesale of cosmetic products	HK\$10,000,000	100%
Gig Limited	Samoa, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$1	100%
Hong Kong Sa Sa (M) Sdn. Bhd.	Malaysia, limited liability company	Trading and retailing of cosmetic products	Ordinary RM20,000,000	100%
Hadatuko Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$1	100%
Léa Limited	Samoa, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$1	100%
Matford Trading Limited	Hong Kong, limited liability company	Property holding	Ordinary HK\$100 Deferred HK\$6	100%

**32 Principal subsidiaries (continued)**

Particulars of the principal subsidiaries at 31 March 2014: (continued)

Name	Place of incorporation/ kind of legal entity	Principal activities and place of operation (if different from place of incorporation)	Particulars of issued share capital/ paid up share capital	Indirect interest held
Rosy Sino Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$1	100%
Sa Sa Cosmetic Company Limited	Hong Kong, limited liability company	Retailing and wholesaling of cosmetic products	Ordinary HK\$100 Deferred HK\$2	100%
Sa Sa Cosmetic Co. (S) Pte. Ltd.	Singapore, limited liability company	Trading and retailing of cosmetic products	Ordinary S\$19,500,000	100%
Sa Sa dot Com Limited	Hong Kong, limited liability company	E-commerce	Ordinary HK\$1,000,000	100%
Sa Sa Development Limited	Hong Kong, limited liability company	Property holding	Ordinary HK\$100	100%
Sa Sa Investment (HK) Limited	Hong Kong, limited liability company	Property holding	Ordinary HK\$100 Deferred HK\$2	100%
Sa Sa International (Taiwan) Limited (formerly known as Alibaster Management Limited)	British Virgin Islands, limited liability company	Trading and retailing of cosmetic products in Taiwan	Ordinary US\$6,880,000	100%
Sa Sa Making Life Beautiful Charity Fund Limited	Hong Kong, limited liability company	Charitable activities	– limited by guarantee	100%
Sa Sa Property Limited	Hong Kong, limited liability company	Property holding	Ordinary HK\$100	100%

## Notes to the Consolidated Financial Statements

### 32 Principal subsidiaries (continued)

Particulars of the principal subsidiaries at 31 March 2014: (continued)


Name	Place of incorporation/ kind of legal entity	Principal activities and place of operation (if different from place of incorporation)	Particulars of issued share capital/ paid up share capital	Indirect interest held
Sa Sa Overseas Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$2	100%
Sa Sa Cosmetic (China) Company Limited (Note 2)	PRC, limited liability company	Trading and retailing of cosmetic products	HK\$195,000,000	100%
SkinPeptoxyl Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$1	100%
Soo Beauté Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$1	100%
Swiss Rituel Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$1	100%
Suisse Programme Limited	Gibraltar, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary Gibraltar £100	100%

Notes:

- (1) Elegance Trading (Shanghai) Company Limited is a wholly foreign owned enterprise for an operating period of 30 years up to 4 December 2038. As at 31 March 2014, its paid up capital was HK\$10,000,000.
- (2) Sa Sa Cosmetic (China) Company Limited is a wholly foreign owned enterprise for an operating period of 30 years up to 5 February 2035. As at 31 March 2014, its paid up capital was HK\$195,000,000.




AGM(s)	Annual general meetings of the Company
Board	Board of directors of the Company
CEO	Chief Executive Officer of the Company
CFO	Chief Financial Officer of the Company
CG Code	Corporate Governance Code and Corporate Governance Report, Appendix 14 of the Listing Rules
Code Provision(s)	Code Provisions in the CG Code
Company, Sasa, Sa Sa, Sa Sa Group, Group, we or us	Sa Sa International Holdings Limited, and, except where the context indicates otherwise, its subsidiaries
Corporate Communication(s)	Any document issued or to be issued by the Company for the information or action of holders of any securities of the Company, including but not limited to annual and interim report, notice of meeting, listing document, circular and proxy form
Director(s)	Director(s) of the Company, including all executive, non-executive and independent non-executive directors
ERM	Enterprise Risk Management
HKExnews website	<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>
Hong Kong, HK or HKSAR	The Hong Kong Special Administrative Region of the People's Republic of China
INED(s)	Independent Non-executive Director(s) of the Company
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Macau	The Macau Special Administrative Region of the People's Republic of China
Mainland or Mainland China	The People's Republic of China excluding Hong Kong, Macau and Taiwan



## Glossary

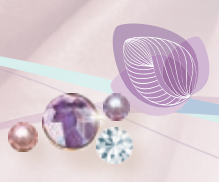
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 of the Listing Rules
NED(s)	Non-executive Director(s) of the Company
PRC	The People's Republic of China
PwC, auditor, external auditor or independent auditor	PricewaterhouseCoopers
SFO	Securities and Futures Ordinance, Cap.571
Share(s)	Share(s) of the Company
Shareholder(s)	Shareholder(s) of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
The Company's website	<a href="http://corp.sasa.com">http://corp.sasa.com</a>



*This 2013/14 Annual Report is available in both English and Chinese, and in both printed and electronic forms. Shareholders who (i) have received either the English or the Chinese version of the Annual Report and wish to have a copy in the language different from that has been received; or (ii) wish to change the choice of means of receipt or language of the Corporate Communications received from the Company in future, may request to do so by completing and returning the Change Request Form (which may be downloaded from the Company's website) by post or by hand to Tricor Abacus Limited ("Tricor"), the Company's branch share registrar and transfer office in Hong Kong. Tricor's address is at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.*

*This Annual Report and other Corporate Communications are now available on the Company's website at <http://corp.sasa.com> and the HKExnews website of the Stock Exchange at <http://www.hkexnews.hk>. If Shareholders have difficulty in receiving or gaining access to the same through the above means for any reason, the Company will promptly upon receiving the Change Request Form send the printed version of the requested document to the Shareholders free of charge.*

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Shares of Sa Sa International Holdings Limited are traded on  
The Stock Exchange of Hong Kong Limited (Stock Code: 178)

