

Sasa

making life beautiful



Online





be trendy enjoy life ▶

Enrich lives by staying at the front of the trends; let our customers shine and express their modern beauty on our stage. Boundless as the world we travel, wherever we establish our foothold, our outlets are the embodiment of style and trends. Come along and explore, find out the personal care and beauty products perfect for you.

From shareholders to staff, and suppliers to the community, Sa Sa is committed to continuous innovation and value enhancement. Throughout the times and changes, Sa Sa has kept pace with social advances and stayed on top of trends by promoting the Online to Offline business model, in an effort to grow itself into an all-round retail group and realise its vision of "caring about customers, embracing the world".



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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 and Euromonitor in 2015, Sa Sa is the leading 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 approximately 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 700 beauty brands around the globe, covering a wide spectrum of products from skin care, fragrance, make-up, body care and hair care to health food, and stretching across a broad price range from mass to premium markets for customers' selection. The resulting product portfolio appeals to a highly diverse customer base. The Group sharpens its competitive edge through enhancing product portfolio, launching new products frequently, and expanding product variety and concept. Its extensive regional retail network currently comprises over 280 "Sa Sa" multi-brand stores, as well as two La Colline specialty stores, one Erno Laszlo specialty store and one B. liv counter, all of which are solely owned and operated by the Group. Our e-commerce platform, sasa.com, offers round-the-clock online shopping services along with comprehensive product and corporate information. It now serves customers from over 100 countries.



Brand Management

In addition to selling its own-branded products, the Group also acts as the sole agent for many international cosmetic brands in Asia. The Group currently manages over 100 exclusive major beauty brands and is responsible for their brand building, promotion and distribution. This business accounts for 41.0% 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 recognised brand leveraging on its strong management team, well thought-out corporate strategies, and a robust balance sheet. We strategically position ourselves as one-stop cosmetics specialty stores with a business focus on beauty. Sa Sa continues to be the most distinctive and "top-of-the-mind" cosmetics retail brand among local customers and PRC travellers.

Wide Range of Products Meeting Various Customer Needs

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

Personalised Cross-brand Beauty Advice

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

Extraordinary Shopping Experience

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

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

Company Secretary

Ms MAK Sum Wun Simmy

Head Office

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

Registered Office

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

Auditor

PricewaterhouseCoopers
Certified Public Accountants

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited
4th 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
Website: www.tricoris.com

Principal Bankers

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

Share Information

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

Investor Relations

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

Corporate Website

corp.sasa.com



Shopping Website

www.sasa.com



TEN-YEAR Financial Summary

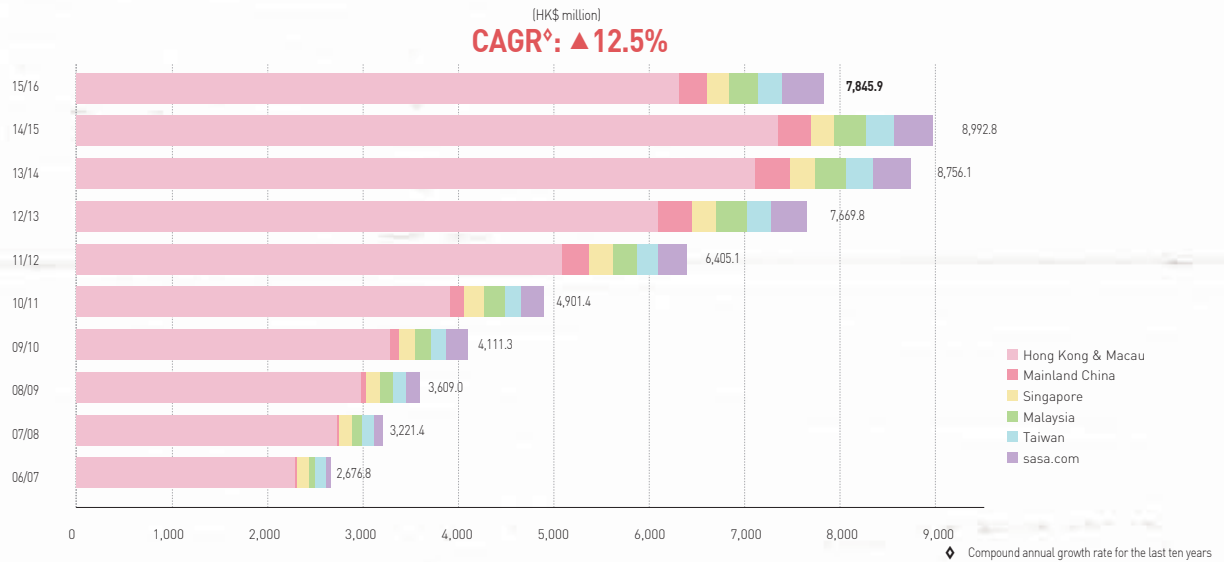
Consolidated Income Statement

	2016	2015	2014	2013	2012	2011	(Note 1) Restated 2010	(Note 1) Restated 2009	(Note 1) Restated 2008	(Note 1) Restated 2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover										
- Continuing operations	7,845,875	8,992,837	8,756,105	7,669,798	6,405,121	4,901,364	4,111,345	3,608,990	3,221,429	2,676,816
- Discontinued operations	-	-	-	-	-	-	-	-	231,658	212,421
	7,845,875	8,992,837	8,756,105	7,669,798	6,405,121	4,901,364	4,111,345	3,608,990	3,453,087	2,889,237
Gross profit										
- Continuing operations	3,346,009	4,039,247	4,072,987	3,558,344	2,896,681	2,211,880	1,814,864	1,576,866	1,389,480	1,138,413
- Discontinued operations	-	-	-	-	-	-	-	-	146,277	133,735
	3,346,009	4,039,247	4,072,987	3,558,344	2,896,681	2,211,880	1,814,864	1,576,866	1,535,757	1,272,148
Gross profit margin										
- Continuing operations	42.6%	44.9%	46.5%	46.4%	45.2%	45.1%	44.1%	43.7%	43.1%	42.5%
- Discontinued operations	-	-	-	-	-	-	-	-	63.1%	63.0%
	42.6%	44.9%	46.5%	46.4%	45.2%	45.1%	44.1%	43.7%	44.5%	44.0%
Operating profit										
- Continuing operations	461,075	991,788	1,113,506	987,169	828,374	608,267	459,324	370,907	323,525	248,051
- Discontinued operations	-	-	-	-	-	-	-	-	3,962	(186)
	461,075	991,788	1,113,506	987,169	828,374	608,267	459,324	370,907	327,487	247,865
Profit for the year										
- Continuing operations	383,470	838,811	935,235	825,634	689,709	509,270	381,887	316,743	277,045	221,104
- Discontinued operations	-	-	-	-	-	-	-	-	71,960	1,266
	383,470	838,811	935,235	825,634	689,709	509,270	381,887	316,743	349,005	222,370
Profit margin										
- Continuing operations	4.9%	9.3%	10.7%	10.8%	10.8%	10.4%	9.3%	8.8%	8.6%	8.3%
- Discontinued operations	-	-	-	-	-	-	-	-	31.1%	0.6%
	4.9%	9.3%	10.7%	10.8%	10.8%	10.4%	9.3%	8.8%	10.1%	7.7%

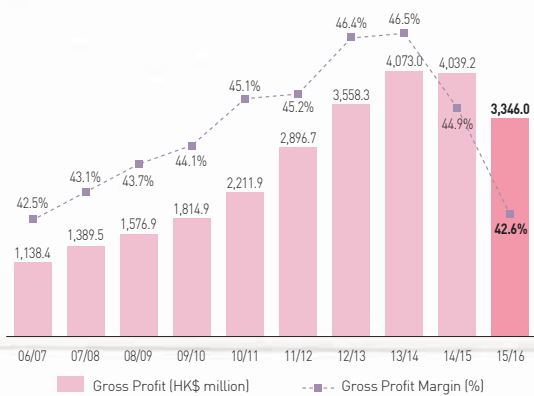
Consolidated Statement of Financial Position

Total assets	2,971,503	3,390,073	3,237,427	2,797,241	2,466,500	1,876,511	1,569,485	1,408,912	1,436,062	1,414,726
Total liabilities	(683,217)	(915,565)	(912,298)	(821,767)	(835,676)	(523,818)	(384,711)	(291,856)	(333,967)	(471,193)
Net assets	2,288,286	2,474,508	2,325,129	1,975,474	1,630,824	1,352,693	1,184,774	1,117,056	1,102,095	943,533
Shareholders' funds										
Share capital	289,213	284,468	284,306	282,691	281,467	280,253	139,131	138,125	137,894	136,862
Reserves	1,999,073	2,190,040	2,040,823	1,692,783	1,349,357	1,072,440	1,045,643	978,931	964,201	806,671
Total equity	2,288,286	2,474,508	2,325,129	1,975,474	1,630,824	1,352,693	1,184,774	1,117,056	1,102,095	943,533

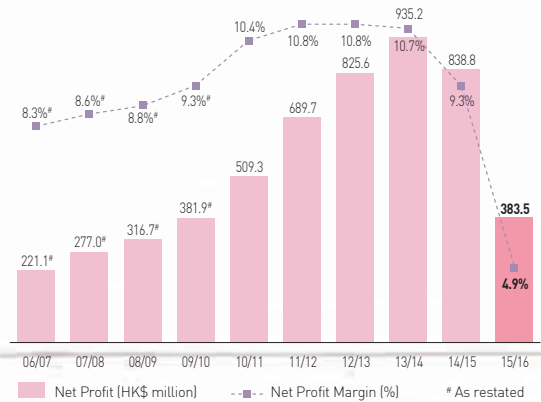
Turnover (Retail & Wholesale Business)



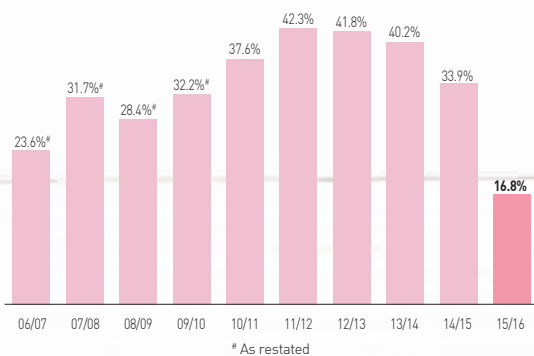
Gross Profit and Gross Profit Margin (Retail & Wholesale Business)



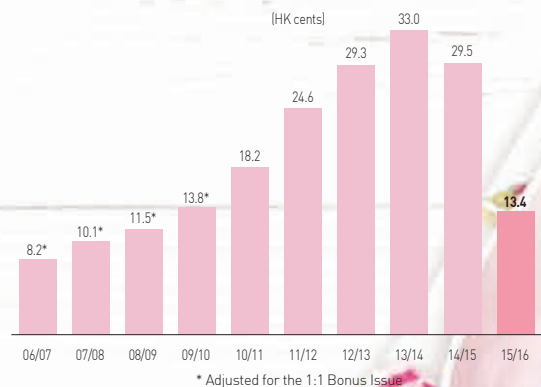
Net Profit and Net Profit Margin (Retail & Wholesale Business)



Return on Equity (Retail & Wholesale Business)



Basic Earnings Per Share (Retail & Wholesale Business)



TEN-YEAR Financial Summary

Consolidated Statement of Cash Flows

	2016	2015	2014	2013	2012	2011	(Note 1) Restated 2010	(Note 1) Restated 2009	(Note 1) Restated 2008	(Note 1) Restated 2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net cash generated from operating activities	578,922	1,069,606	1,021,080	846,245	639,477	443,103	414,655	334,498	328,320	234,262

Per Share Data and Key Ratios

Basic earnings per share (HK cents) (Note 2)										
- Continuing operations	13.4	29.5	33.0	29.3	24.6	18.2	13.8	11.5	10.1	8.2
- Discontinued operations	-	-	-	-	-	-	-	-	2.6	0.1
	13.4	29.5	33.0	29.3	24.6	18.2	13.8	11.5	12.7	8.3
Diluted earnings per share (HK cents) (Note 2)										
- Continuing operations	13.4	29.5	32.9	29.2	24.4	18.1	13.7	11.5	10.1	8.1
- Discontinued operations	-	-	-	-	-	-	-	-	2.6	0.1
	13.4	29.5	32.9	29.2	24.4	18.1	13.7	11.5	12.7	8.2
Return on equity	16.8%	33.9%	40.2%	41.8%	42.3%	37.6%	32.2%	28.4%	31.7%	23.6%
Dividend per share (HK cents) (Note 2)										
Basic	14.0	14.0	13.5	7.5	5.5	4.0	4.0	4.0	4.0	4.0
Special	9.5	9.5	10.0	13.5	12.0	10.0	10.0	7.5	6.5	4.5
Total	23.5	23.5	23.5	21.0	17.5	14.0	14.0	11.5	10.5	8.5
Dividend payout ratio	176.1%	79.7%	71.4%	71.9%	71.4%	77.1%	102.0%	100.3%	83.0%	104.5%
Dividend yield as at 31 Mar (Note 2)	9.8%	6.2%	3.8%	2.8%	3.9%	3.5%	4.6%	9.5%	7.2%	7.4%
Closing share price as at 31 Mar (HK\$) (Note 2)	2.41	3.79	6.22	7.51	4.50	3.97	3.03	1.21	1.45	1.15
Price/Earnings (times)	17.9	12.8	18.8	25.7	18.3	21.8	22.0	10.5	11.4	13.8
Net assets value per share (HK\$) (Note 2)	0.79	0.87	0.82	0.70	0.58	0.48	0.43	0.40	0.40	0.34
Current ratio (times)	3.90	3.31	3.05	2.82	2.47	3.09	3.57	4.31	3.76	2.64
Gearing ratio	-	-	3.4%	-	-	-	-	-	-	-

Operational Data

Number of retail outlets	291	287	280	260	249	205	173	150	124	104
- Multi-brand "Sasa" stores	287	281	271	249	227	181	150	125	110	96
- Single-brand stores/counters	4	6	9	11	22	24	23	25	14	8
Total gross retail area (rounding to the nearest thousand sq ft) (Note 3)	614,000	628,000	648,000	572,000	513,000	367,000	298,000	245,000	226,000	206,000
Stock turnover days	89	102	107	110	124	109	90	84	94	90
Number of employees (rounding to the nearest hundred)	5,000	5,000	5,000	4,800	4,300	3,500	2,800	2,600	2,300	2,000

Note:

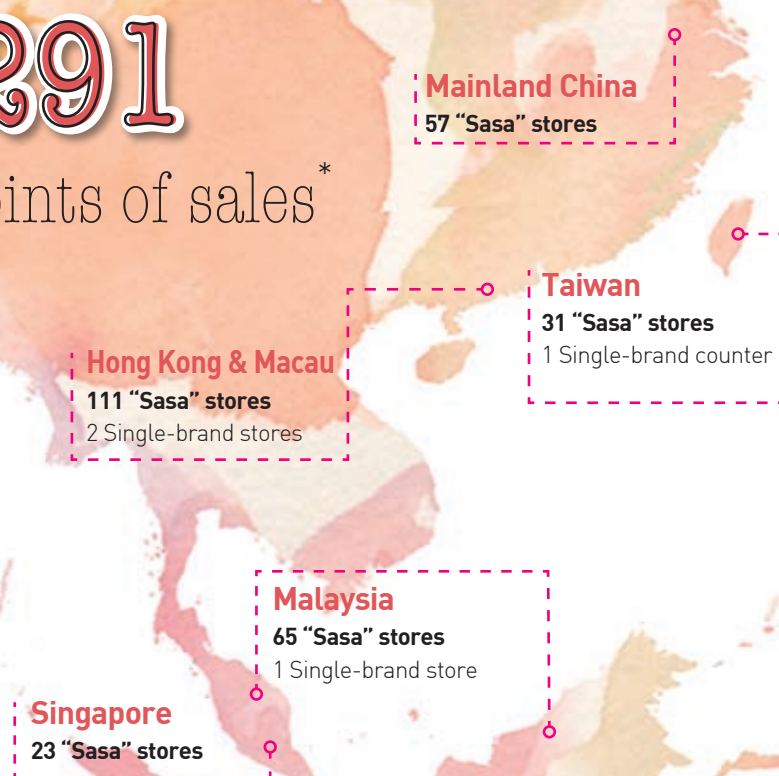
- 1) In FY2010/11, The Group had changed its accounting policy for measurement of leasehold building to cost less accumulated depreciation ("cost model") instead of fair value amounts less subsequent depreciation. This change meant that the building component and the more significant land component of 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 from 2007 to 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

291

points of sales*



Group Retail Network in Asia

As at 31 March 2016

	Multi-brand "Sasa" Stores	Single-brand Stores/Counters
Hong Kong & Macau	111	2
Mainland China	57	-
Singapore	23	-
Malaysia	65	1
Taiwan	31	1
Total	287	4

*As at 31 March 2016

fragrance▶





►► "Like" Sa Sa Facebook page ◀◀



AWARDS and Recognitions

Corporate Governance And Management



The Group won 'Best IR Company' (Small-cap) and three other awards in the small-cap category at the second Investor Relations Awards organised by Hong Kong Investor Relations Association ("HKIRA").
The Group received the following prizes in the small-cap category: ▶▶

- Best IR Company
- Best IR by Chairman/CEO - Dr Simon Kwok, Chairman and Chief Executive Officer
- Best IR by CFO - Dr Guy Look, Chief Financial Officer and Executive Director
- Best IR Presentation Collaterals



Dr Guy Look, the Group's Chief Financial Officer & Executive Director received the "eCommerce Leader Award" of the ECR Golden Circle Awards, which was organised by Efficient Consumer Response ("ECR") Hong Kong, at the GS1 Hong Kong Supply Chain Management ("SCM") Excellence Summit 2015. ▶▶



Dr Eleanor Kwok, the Group's Founder & Vice-Chairman was named one of the "Most Successful Women" of the year by JESSICA Magazine in recognition of her conspicuous achievements in the cosmetics retailing industry, as well as her exemplary contributions to community services. ▶▶



The Group received the "Citation for Corporate Governance Disclosure Award" for the third consecutive year in the "2015 Best Annual Reports Awards" organised by the Hong Kong Management Association, for its Annual Report 2014/15 with the theme "PINK Style - Making Life Beautiful". ▶▶

Institutional Investor

The Group received the following rankings in "2015 All-Asia Executive Team Rankings", by the internationally respected Institutional Investor Magazine: ▶▶

- Asia's Most Honored Companies
Sa Sa was ranked 32nd out of 47 companies selected from 154 nominated companies
- Best Companies by Country
9th Place in Hong Kong
- Best Investor Relations (Consumer Sector)
1st Place (Nominated by the Sell Side)
- Best CFO (Consumer Sector) 1st Place
Dr Guy Look, Chief Financial Officer and Executive Director (Nominated by the Sell Side)
- Best Investor Relations Professional (Consumer Sector) 2nd Place
Ms Tiffany Cheung, Vice President of Corporate Communications and Investor Relations (Nominated by the Sell Side)



AWARDS and Recognitions



The Group received “Best Investor Relations Company (Hong Kong)” by Corporate Governance Asia Magazine for the fifth consecutive year. Dr Guy Look, Chief Financial Officer and Executive Director, and Ms Tiffany Cheung, Vice President of Corporate Communications and Investor Relations of the Group, were named “Asia’s Best CFO (Investor Relations)” and “Best Investor Relations Officer (Hong Kong)” respectively. The awards testify to the recognition from the investment community on the Group’s corporate governance and investor relations standards. ▶▶



The Group won ‘Best in Sector - Consumer Discretionary’ at IR Magazine Awards – Greater China 2015, organised by the internationally respected IR Magazine. The Group also ranked top four in the categories of “Grand Prix for Best Overall Investor Relations (Mid-cap)” and “Best Investor Relations by a Hong Kong Company”. The awards testify to the recognitions from the investment community to the Group’s commitment to foster investor relations. ▶▶



Sa Sa has won four awards in the 2015 International ARC Awards with its “Sense of Style, Partner in Beauty” Annual Report 2013/14, including Gold in Cover Photo/Design (Retail - Specialty Stores), Gold in Cover Photo/Design (International Retail Category), Silver in Interior Design (Retail - Specialty Stores) and Bronze in Printing & Production (International Retail Category). ▶▶



The Group’s “PINK Style – Making Life Beautiful” Annual Report 2014/15 has won Bronze Award in the 2015 Galaxy Awards. ▶▶

Brand Recognitions



The Group has been awarded "Business Excellence Awards 2016" by The Professional Validation Centre of Hong Kong Business Sector to recognise its outstanding performance in management and operation. ▶▶



The Group continued to be named "Retail Asia-Pacific Top 500" and "Hong Kong Top 10 Retailers" by Retail Asia Magazine and Euromonitor. ▶▶



The Group's online shopping platform sasa.com was ranked third in "Weibo Ten Most Influential Hong Kong Corporations" at Weibo Star 2015 Award Ceremony. ▶▶



The Group has received an honour in the Consumer Retail (Listed Company) category of the Market Leadership Award 2015 organised by Hong Kong Institute of Marketing ("HKIM"). This award is a testament to the Group's continuous effort in marketing and its outstanding accomplishments in building "Sa Sa" a leading cosmetics retailing brand in Asia. ▶▶

AWARDS and Recognitions

Service Excellence



The Group was honoured with three accolades from the Hong Kong Retail Management Association. Exclusive brand La Colline Specialty Store was named 2015 Service Retailers of the Year (Beauty Products / Cosmetics Category). Our two staff members of Sa Sa also won the 2015 Service & Courtesy Award in the Junior Frontline Level and Gold in award Earn & Learn Student Category. ▶▶



The Group was awarded with QTS Merchants of 15-year Accreditation by Quality Tourism Services Association. ▶▶



The Group has been awarded "Tourists' Choice" at the "Hong Kong Service Awards 2016" organised by East Week Magazine. This is the eighth Hong Kong Service Award received by the Group, attesting to the Group's leading position in the area of customer service over the years. ▶▶



Corporate Social Responsibility



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



Sa Sa received the CSR Index Plus Mark published by Hong Kong Quality Assurance Agency, in recognition of its achievements in CSR. ▶▶



Sa Sa has once again achieved the Certified Label in the “Green Office Awards Labelling Scheme” and “United Nations Millennium Development Goals (UNMDG)-Better World Company”, organised by World Green Organisation (WGO) and Junior Chamber International (JCI), in recognition of its effort in driving Hong Kong towards a low carbon city. ▶▶

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



Hang Seng Corporate Sustainability Index Series Member 2015-2016



The Group was a constituent member of the Hang Seng Corporate Sustainability Benchmark Index for the fifth consecutive year. ▶▶

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



The Group has been awarded the Carbon Reduction 12% Certificate of the Hong Kong Awards for Environmental Excellence, in recognition of achievement in reducing carbon footprint. ▶▶



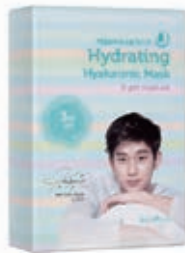
Sa Sa was accredited as Manpower Developer from 2015 to 2017 by the Employees Retraining Board. ▶▶



AWARDS and Recognitions

Awards Presented To Sa Sa's Exclusive Products

Hong Kong



Beauty Exchange Best Cosme Spring Award 2015

- **Your Favourite Eyeliner**
CYBER COLORS Long Lasting Gel Eyeliner

Get it Beauty Korea Award 2015

- **Best Blind Test Cleansing Water**
Dr.Jart+Dermaclear Micro Water

COSMO Campus U Fav Awards 2015

- **Best K-Pop Beauty Brand**
banila co.
- **Best Make-up Remover**
banila co.
- **Best Moisturising Mask**
Beyond
- **Best Black Head Remover**
b.liv
- **Best Moisturizer**
Dr. G
- **Best Cleansing Machine**
Neogence



China

Malaysia



2015 Marie Claire Top 100 Cosmetic
• Suisse Programme PP Luxury Toner

Citta Bella Beauty Awards 2015
• **Best Mascara**
Bellaoggi HD Mascara

Singapore



Aesthetics & Beauty Magazine
Beauty & Wellness Awards 2015
• **Best Hair Treatment (Editor's Pick)**
Camille Albane Shine Serum for
Hair Ends Kiwi Fragrance
• **Best Body Scrub (Reader's pick)**
Collistar Reshaping Mud Scrub

Cosmopolitan Singapore
Bright Sparks 2015
• **Most Effective Product**
Annie's Way Arbutin &
Hyaluronic Acid Brightening Jelly
Mask

CLEO Beauty Hall of Fame 2015
• **Fragrance to wear 24/7**
TOUS Rosa Eau Legere

Cosmopolitan Singapore
Beauty Grand Prix 2015
• **Best Bronzer**
The Balm Bahama Mama

Cosmopolitan Singapore Favourite
Fragrance Awards 2015
• **Best for a Dinner Date**
Gianfranco Ferre Ferre Rose EDT

Harper's BAZAAR's Hair Awards 2015
• **Best Sun Protection For Hair
(Daily Use)**
Camille Albane Sun Protecting
Mist with Marine Spring Water

Singapore Women's Weekly
Best Beauty Buy 2015
• **Best Eyeliner Gel/Cream**
CYBER COLORS Super Stay Gel
Liner (01 Black)





▶▶ Follow Sa Sa on Wechat ◀◀
(Please use the "Add Contacts"
QR code scanner in Wechat app)





cosmetics ▶▶

MILESTONES

1978



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

1990

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

1992

First branch store in Tsim Sha Tsui, Hong Kong.

1997

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



1998

First store in Malaysia.

2000

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



2002

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

2006

First Suisse Programme beauty counter in Mainland China.



2005

First Mainland store in Shanghai, China.

2009

First Suisse Programme specialty store in Hong Kong.



2011

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

2013

- 35th anniversary of the Group.
- Opening of Sa Sa Supreme, the first lifestyle concept store in Asia Pacific, in Causeway Bay, with approximately 20,000 sq. ft.
- The Group's 100th store in Hong Kong.
- "Sa Sa Making Life Beautiful Charity Fund" was founded.



2014

Title sponsor for the "Sa Sa Ladies' Purse Day" for ten consecutive years



2015



The Group launched a new brand image, promoting the pursuit of beauty for women.

2016



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



Méthode SWISS ▶▶





Methode **SWISS**
BEAUTY CARE

YOUTH RECOVERY
ESSENCE LOTION
ESSENCE REGENERANTE
JEUNESSE LOTION



►► Follow Sa Sa on Instagram ◀◀



CHAIRMAN'S Statement

"We remain firmly committed to the growth of our business, to providing first-class customer services, to offering a best-in-class shopping experience for our customers, and to maintaining our position as a leading cosmetics retailer in the Asia-Pacific region."

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

I hereby report that Sa Sa International Holdings Limited delivered a weaker performance for the year ended 31 March 2016 (the "fiscal year") despite the increasing number and intensity of challenges in the market. Over the past decade, our turnover and profit have steadily grown, reaching a new high in the last fiscal year. Currently, however, these results have shown a decrease due to strengthening headwinds.

Against the backdrop of weaker consumption sentiment and a continuing slowdown in growth of Mainland Chinese tourist spending, turnover reached HK\$7,845.9 million, a decrease of 12.8%, while profit decreased by 54.3% to HK\$383.5 million. Our footprint continued to expand, and our network now comprises 291 stores across the region.

The Group is committed to generating sustained and consistent returns to our shareholders. The Board of Directors proposes a final dividend of 9.0 HK cents per share and a special final dividend of 5.5 HK cents per share, making a total annual dividend for the fiscal year 23.5 HK cents per share after taking into account the interim dividend of 5.0 HK cents per share paid together with a special interim dividend of 4.0 HK cents per share. Subject to shareholders' approval, the final and special final dividends will be payable in cash with a scrip dividend alternative.

A Challenging Market Environment

In our core market of Hong Kong and Macau, retail sales have traditionally shown strong growth due to a high reliance on Mainland Chinese visitors, beginning with the launch of the Individual Traveller Scheme in 2003. However, this reliance has also led to our vulnerability in the Hong Kong retail market.

In recent times, political instability and anti-Mainland tourist sentiment have impacted the overall market in Hong Kong. Not only has there been a general slowdown in Mainland Chinese tourist arrivals, but also the pattern and profiles of these arrivals have changed. There has been a structural adjustment in the mix of shorthaul and longhaul tourists, of overnight and sameday tourists, and of their spending habits. In 2015, the one-visit-one-week permit imposed on Shenzhen residents for Hong Kong travel saw sameday visitor numbers fall on a year-to-year basis for the first time. Meanwhile Hong Kong's strong currency has undermined Hong Kong's competitive advantage, making it difficult to attract tourists for shopping while at the same time stimulating local outbound travel. Hong Kong's retail market will therefore continue to be under stress in the near term.

On the positive side, the Central Government has listed Macau tourism as a key sector for economic growth, which has given us grounds for optimism about our Macau market and its retail sector. Tourist facilities in Macau are now growing rapidly to attract and accommodate new tourists.





During the fiscal year, medicines and cosmetics sales in Hong Kong decreased 4.4% while the overall retail market declined by 6.4%. During the same period, cosmetics and sanitary articles sales in Macau grew 11.4%, showing that the cosmetics industry remains comparatively resilient in that market. Overall, our sales and profitability have weakened, with our retail sales in Hong Kong and Macau decreasing by 14.2%. In general, we have underperformed the market and we are determined to adopt robust measures to adapt to market changes and boost our relative performance.

Drawing on our experience and our prediction of market trends, we are realigning our business operations to implement a more cautious store opening strategy and consolidating our network to be more sales and cost effective. We are centralising and streamlining work processes to improve operational and cost effectiveness as well as to enhance store productivity.

Furthermore, we are re-mapping our product strategy and execution with an emphasis on agility, effectiveness and efficiency. These measures will help us to embrace growing demand and allow us to recapture our robust sales growth trajectory. To enhance the competitiveness of our product portfolio, we will eliminate underperforming SKUs to make way for new and productive SKUs. We will also focus on the launch time of new products, as well as on their display, variety and pricing.

Beyond Hong Kong and Macau

In addition to addressing the difficult Hong Kong retail environment, the Group has been strategically adjusting our direction in our non-Hong Kong markets. We have placed more emphasis on e-commerce and we have begun to integrate our online and offline operations ("O2O") to increase competitiveness, to provide a better O2O shopping experience to customers, and to serve mainland tourists after they have left Hong Kong to return to their home base.

We have also devoted more critical analysis to assessing the profitability and efficiency of our non-Hong Kong markets' operations. We have reformed the management structure in several markets, improved scalability due to personnel and execution issues by investing in business processes and automation, and made a determined effort to build our base for future growth outside of our Hong Kong core market.

CHAIRMAN'S Statement

In Mainland China, we have continued to adjust our strategies to adapt to this important and evolving market. We have reformed the management team, accelerated O2O business development to tap growth in the market in line with government directions, and launched our new boutique store format.

In Malaysia, we have broadened our customer base to target the ethnic Malay population, and expanded our store network. In Singapore, we have successfully restructured our management team and operations, and we have begun to reap the benefits of integrating our Singapore with our Malaysia team. In Taiwan, we are focusing on upgrading our operations.

In our e-commerce business, we have fully recognised that understanding the behaviour and fulfilling the needs and habits of Chinese consumers are vital to drive our future growth. We have enhanced customer engagement and committed ourselves to increasing resources to improve the customer shopping experience, to enhance our product offerings, and to strengthen our marketing effectiveness. It is our belief that business and operations' scalability is vital to support growth. We have invested in human resources and our knowledge base to improve our competitive edge and help us drive the expansion of our business. Our online team in Hong Kong and Mainland China has grown not only in numerical terms but also in capability strength.

Road Map to the Future

We believe that the fiscal year of 2016/17 will be a difficult one for the Hong Kong retail market and will present many challenges. Nevertheless, we also believe that Hong Kong will continue to enjoy the advantages of being adjacent to economically robust southern China. Looking forward, therefore, the Group aims to further strengthen our competitiveness through the following measures.

In terms of product strategy, our product portfolio will be streamlined to allow us to better manage our inventory, reduce carrying costs, and make way for new and more productive products with better shelf display. The sourcing strategy and process will be improved to introduce popular new products, and we will target fast moving new and trendy products in order to achieve more rapid turnover. In view of the popularity of Korean cosmetic products, and to cater for rapidly changing customer preferences, we are enriching our Korean product portfolio across all product sources, including house brands and non-house brands. We will forge close partnerships with suppliers and Korean beauty brands while continuing to enhance branding and marketing initiatives for our owned brands, thereby contributing to the profit margin of the Group.

Overall, we will focus on retail network rationalisation, increasing store productivity and reducing operating costs, including rental costs. The streamlining of SKUs will allow us to enhance store productivity by removing unproductive SKUs and will also make it easier to display new and productive SKUs. The centralisation of operations will enable us to reduce costs at the store level. We are placing more emphasis on locations that will deliver continuous growth for targeted store expansion, such as the New Territories districts near the Mainland border. At the same time, we are rationalising our stores in those tourist districts in which "Sasa" stores are concentrated as a result of rapid growth over the past decade, such as Causeway Bay, Tsim Sha Tsui and Mongkok. These efforts will allow us to streamline our costs' structure and improve store productivity.

We also aim to drive sales through market differentiation. New store formats such as Sa Sa Boutique and SHINE will target different customer segments while also increasing market share, particularly for the local segment. In terms of O2O and cross-border e-commerce, we will drive sales growth through greater efforts in digital marketing and in the integration of our online and offline CRM. These measures will ensure an improved shopping experience. They will also allow us to maintain closer contact with our customers and to serve them even if they do not return regularly to Hong Kong. Customer acquisition and retention will both enhance and drive sales growth, and we will further strengthen sales channels through new and closer partnerships.

Service excellence has always been Sa Sa's number one core value. Our service has helped us to build relationships and trust with local and overseas customers while also strengthening Sa Sa as a top-of-the-mind brand in the market. To respond to the rapid changes in the market environment, our training, incentives and services are all evolving to cater

for fresh product offerings that align with developments in consumer preferences – both in terms of product affinity and shopping experience. We recognise that the provision of an excellent shopping experience that consumers truly enjoy is essential and involves both online and offline efforts. We are therefore making sustained efforts to integrate our online and offline CRM, improve digital marketing, and also enhance our product offerings and store displays.

Realising our Vision

We aim to respond to forthcoming market challenges with flexibility and decisiveness, and to expand according to a strategy that is both disciplined and forward thinking. We are cautious on the short-term outlook but are optimistic about 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. We base this optimism on the fast-growing Mainland Chinese middle class whose levels of affluence will steadily rise, and who will continue to increase their spending. Hong Kong will also become further integrated into China through enhanced transportation infrastructure such as the high-speed rail link and the Hong Kong-Zhuhai-Macau bridge.

As mentioned above, we will strenuously improve our store operations and cost structure and improve our product strategy as well as operations to adapt to keen competition, changes in consumer behaviour, and the general weakness in the retail market. We are confident that the increasing integration of our O2O operations will better serve our customers and provide a shopping experience that will increase our customer base, reinforce customer loyalty, and drive sales. Leveraging on the solid foundation and experience of our Hong Kong core market, the Group is committed to strengthening the operations of our overseas markets. We aim to achieve growth in sales and market share while fine-tuning our strategic development to cater to the local market conditions of each respective market, and to increase their proportionate contribution.

Going forward, we will continue to invest in standardising, streamlining and automating operational and business processes, using IT technology to increase efficiency and control throughout the Group, in order to sustain growth now and in the future.

Finally, as the Group expands and grows, our commitments as a socially responsible corporate citizen continue to motivate us and to offer an ongoing source of satisfaction. We are proud to have accelerated our programmes in this area as we embrace our belief in “from the community, for the community”, which we strongly believe is the key to sustainable business success.

Conclusion

I would like to take this opportunity to express my heartfelt gratitude to everyone who has contributed to the Group’s performance and long-term sustainable growth. Whatever challenges Sa Sa may encounter in the future, I firmly believe that the Group’s financial robustness, our strong governance and development strategies, and our flexibility and resilience, will ensure that we are able to overcome them. For many years the Group has shown strength and resourcefulness in all economic circumstances. We remain firmly committed to the growth of our business, to providing first-class customer services, to offering a best-in-class shopping experience for our customers, and to maintaining our position as a leading cosmetics retailer in the Asia-Pacific region.



Dr Simon Kwok, BBS, JP
Chairman and Chief Executive Officer
Hong Kong, 23 June 2016

SUISSE PROGRAMME ▶





►► Download Sa Sa app ◀◀



MANAGEMENT

Discussion & Analysis

The Group's Turnover

HK\$ **7,845.9** million

12.8%

Retail Sales In HK & Macau

HK\$ **6,231.6** million

14.2%

The Group's Profit


HK\$ **383.5** million

54.3%

Consolidated Income Statement For The Year Ended 31 March 2016

	Full year		First half		Second half	
	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	7,845,875	8,992,837	3,777,940	4,226,004	4,067,935	4,766,833
Cost of sales	(4,499,866)	(4,953,590)	(2,156,275)	(2,339,129)	(2,343,591)	(2,614,461)
Gross profit	3,346,009	4,039,247	1,621,665	1,886,875	1,724,344	2,152,372
Other income	117,379	118,445	58,832	58,752	58,547	59,693
Selling and distribution costs	(2,664,059)	(2,816,699)	(1,315,317)	(1,358,107)	(1,348,742)	(1,458,592)
Administrative expenses	(341,694)	(349,957)	(176,808)	(184,183)	(164,886)	(165,774)
Other gains – net	3,440	752	(823)	(774)	4,263	1,526
Operating profit	461,075	991,788	187,549	402,563	273,526	589,225
Finance income	9,380	18,162	5,775	10,759	3,605	7,403
Finance costs	–	(458)	–	(394)	–	(64)
Finance income – net	9,380	17,704	5,775	10,365	3,605	7,339
Profit before income tax	470,455	1,009,492	193,324	412,928	277,131	596,564
Income tax expense	(86,985)	(170,681)	(40,304)	(73,166)	(46,681)	(97,515)
Profit for the year	383,470	838,811	153,020	339,762	230,450	499,049





During the fiscal year, the Group's turnover decreased by 12.8% from HK\$8,992.8 million in the previous year to HK\$7,845.9 million. Retail sales in Hong Kong and Macau decreased by 14.2% year-on-year from HK\$7,259.4 million to HK\$6,231.6 million. The Group expanded its retail network from 287 to 291, a net increase of six stores for "Sasa" stores and a net decrease of two single-brand stores/counters.

The Group's profit for the year was HK\$383.5 million, a decrease of 54.3% over the HK\$838.8 million achieved in the last fiscal year. Basic earnings per share were 13.4 HK cents, as compared to 29.5 HK cents in the previous year. Final and special final dividends per share proposed are 14.5 HK cents (2015: 14.5 HK cents), making a total annual dividend of 23.5 HK cents per share (2015: 23.5 HK cents), payable in cash with a scrip dividend alternative.

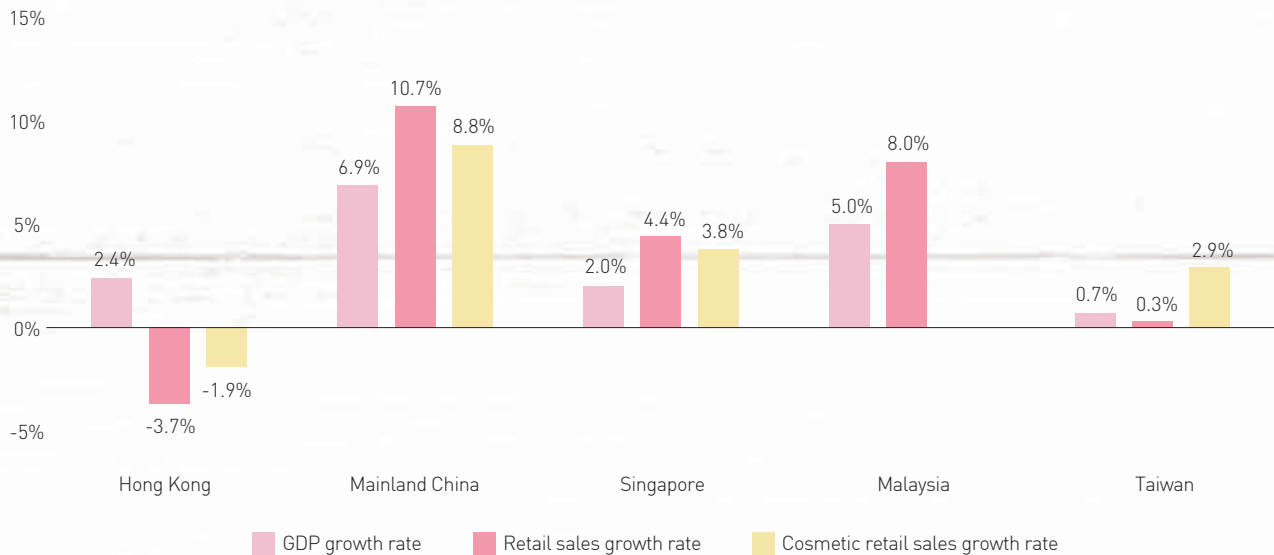
The Company has been included in the Hang Seng High Dividend Yield Index since June 2015. The Company is a constituent member of the Hang Seng Composite MidCap and has been a constituent member of the Hang Seng Corporate Sustainability Benchmark Index for five consecutive years since 2011. The Company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



MANAGEMENT Discussion & Analysis

Market Overview

GDP/Retail Sales/Cosmetic Retail Sales Growth By Market, Year 2015

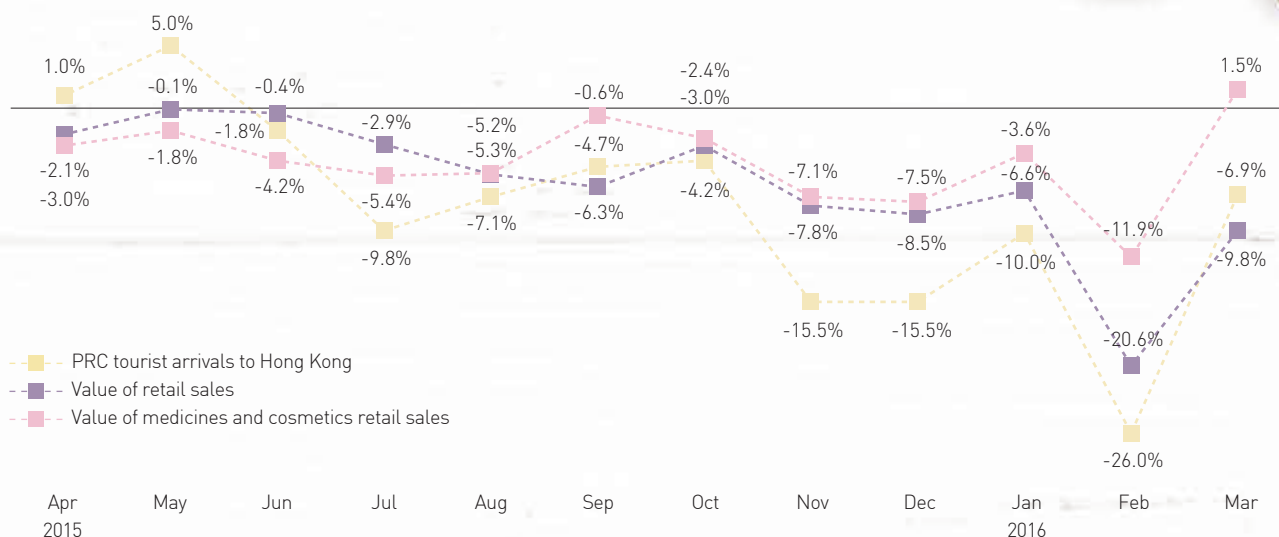


Notes:

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



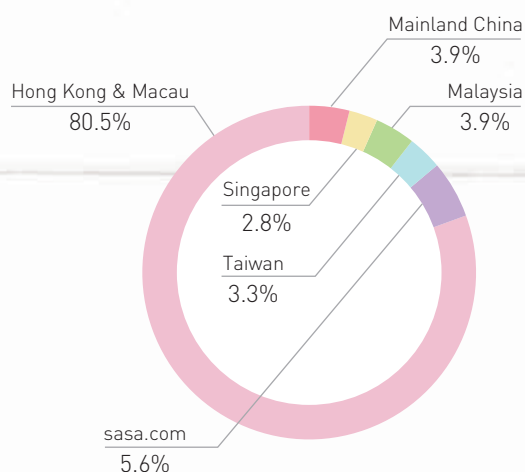
Retail Sales Performance in Hong Kong and PRC Tourist Arrivals in Hong Kong (Year-on-Year Change)



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

Retail and Wholesale Business

FY15/16 Turnover Mix By Market



Store Network By Market

Multi-brand "Sasa" Stores	As of 31 Mar 2015		As of 31 Mar 2016	
	Opened	Closed	Opened	Closed
Hong Kong & Macau	107	12	8	111*
Mainland China	62	10	15	57
Singapore	21	7	5	23
Malaysia	59	10	4	65
Taiwan	32	5	6	31
Total	281	44	38	287

Note:

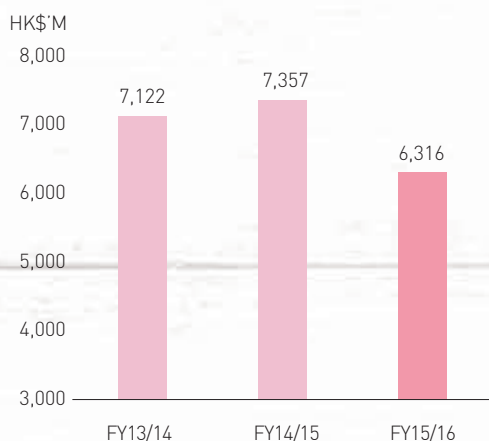
As at 31 March 2016, there were two single-brand stores/counters in Hong Kong & Macau, and one each in Malaysia and Taiwan, totalling 291 retail outlets for the Group.

* including three Sasa Boutique stores

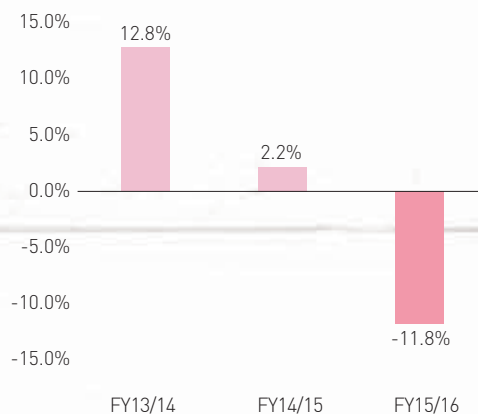
MANAGEMENT Discussion & Analysis

Hong Kong and Macau

Turnover (Retail & Wholesale)



Same Store Growth

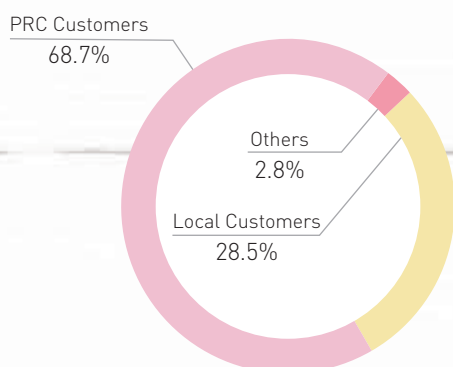


During the fiscal year, turnover in Hong Kong and Macau decreased by 14.2% year-on-year from HK\$7,356.7 million to HK\$6,315.6 million while same store sales fell 11.8%. The number of transactions dropped 4.4% while the total average sales value per ticket decreased by 10.2%.

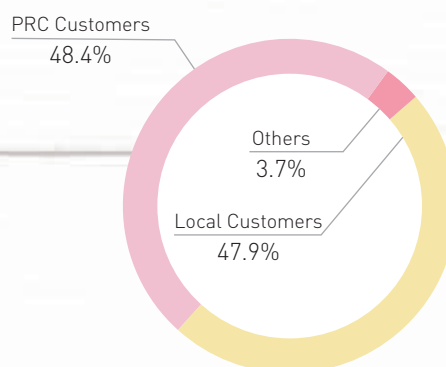
To place these figures in context, the number of transactions of Mainland China tourists decreased by 7.1% while average sales value per ticket decreased by 11.2%. The number of transactions by local consumers decreased by 1.2% with an average spending decrease of 3.5%.

Customer Mix (For FY15/16 retail sales)

By sales value



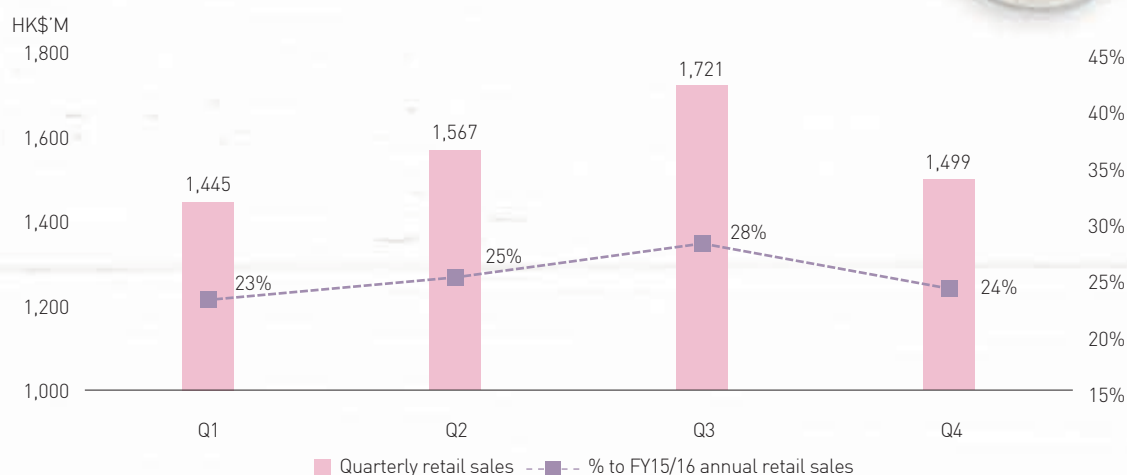
By no. of transactions



This performance was driven by a decrease in the total number of transactions with mainland tourists, which was in line with the overall deceleration of mainland tourist arrivals in Hong Kong by 8.6%. The weaker performance was exacerbated by the decrease in the average sales value per ticket of mainland tourists. As a result, the sales contributed by mainland tourists decreased from 71.5% last year to 68.7% this year.

Several factors have contributed to this decline in sales growth. The primary reason is the unabated decrease in mainland tourist arrivals to Hong Kong since March 2015.

FY15/16 Retail Sales by Quarter



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

Meanwhile, the substantially strengthened tourist facilities and convenient travel policies offered by other countries have improved their attraction to mainland tourists. In addition, the strong Hong Kong dollar and depreciating Renminbi have contributed further to the slowdown in mainland visitors to Hong Kong while stimulating outbound travel by local consumers. The number of Hong Kong resident departures through the Hong Kong International Airport increased by 13.6% as compared to the previous fiscal year.

New restrictions placed on the frequency of visits by Shenzhen permanent residents, reducing from multiple-entry permits to one-visit-one-week permits upon renewal, have seriously impacted the flow of mainland tourist arrivals as the majority of mainland tourists are now day-trippers. As a result, the Mainland tourist sameday visitor arrivals in Hong Kong dropped 9.1% during the year. Meanwhile structural changes in the Mainland China tourist mix towards tourists arriving from lower-tier cities in Mainland China with less spending power has impacted the average ticket size.

This change in tourist flows and in their consumption patterns has been given further impetus by the rise of cross-border e-commerce, which has facilitated much faster market penetration of cheaper and fast-to-market Korean products with concepts that are well liked by Asians, and in particular by the Chinese consumers. Sa Sa has traditionally relied on high price products with long product life cycles that derive mainly from Europe and the US, but the market preference has changed very quickly towards lower price products. These products have very fast launches and a much shorter product life cycle because of the increased efficiency of digital media, allowing the general consumer mass to become aware of new products much quicker than before. This in turn means demand rises and falls much faster than previously, and that the peak in demand is also higher.

The Group's profitability in Hong Kong and Macau market was dragged due to margin pressures. Gross profit margin decreased from 44.8% last year to 42.6% this year. Net profit margin decreased to 7.4% from 11.9%. This performance was due to continuing promotions and discounting to support sales in a slower market as well as a lower house brand mix. In order to further strengthen the competitiveness of our product offerings, the Group adjusted our non-house brand mix in some popular product categories, for instance in Korean products, to make faster adaptation to changing consumer preferences for Korean and lower price products.

Rental costs continued to rise with rental reductions expected to be reflected in total rental costs only over an extended time span of several financial years. The frontline staff costs to sales increased as we strove to maintain our competitiveness in the salary system to retain staff in a slower market.

MANAGEMENT Discussion & Analysis

Mainland China

Overall turnover for our Mainland China operations decreased to HK\$303.8 million during the year, a decrease of 9.6% in local currency terms while same store sales decreased 9.9% in local currency for the year. The loss for the year amounted to HK\$39.6 million.

Boutique stores of a smaller size continued to contribute to overall profitability, but a change of management in our operations team led to a slight decrease in turnover. Weak operational and product management led to a decline in turnover, as well as an increase in the inventory provision.

The Group launched a new store format: the O2O stores in Shenzhen (Qianhai) and in Shanghai. This new store format serves to broaden our product selections through online offerings, while also increasing exposure for the sasa.com brand.

Singapore

During the fiscal year, turnover for the Singapore market was HK\$222.5 million, a decrease of 2.0% in local currency terms, while same store sales dropped by 4.8% in local currency.

The challenge of filling vacancies for frontline staff, high staff turnover and Singapore's acute manpower constraints adversely affected our store productivity. The tourism industry as a whole was impacted by the strength of the Singapore dollar.



Malaysia

The Group's turnover in our Malaysia market was HK\$307.4 million, an increase of 9.1% in local currency terms, while same store sales dropped 3.2% in local currency.

The fundamentals of our business in Malaysia are strong. We are the largest beauty specialty store in the country in terms of store numbers and network coverage. We have consistently outperformed the market and are profitable, even though our performance was briefly impacted by the introduction of the Goods and Services Tax (GST) at the beginning of the year. However, this impact began to even out in the second half of the year.

Taiwan

Turnover in the Group's Taiwan business during the year decreased to HK\$254.6 million, representing a drop of 7.8% in local currency terms while same store sales fell by 10.1% in local currency.

The sales performance was impacted by changes in management, weak local consumer sentiment, and a drop in mainland tourist arrivals to the region.

E-commerce – sasa.com

Turnover for sasa.com amounted to HK\$442.0 million, a rise of 6.2% over the previous fiscal year.

Sales to the Mainland China market continued to increase with 25.9% growth. However, this performance was partly offset by a decrease in sales to other overseas markets. The growth in the Mainland China market was largely due to overall market growth and strong demand for skincare products. A new Mainland China site and Mainland China mobile site were launched during the year, which enhanced the traffic and conversion rate. Also, our performance was strengthened by more focus on flash sales and their associated purchases. However, the limitation on the system's scalability and logistics functions, together with inadequate consumer awareness of sasa.com and our small customer base hindered faster growth.

Profitability was affected due to the resulting decrease in gross profit margin, as well as increased investment and advertising and promotion expenses, such as search engine display advertisements.



MANAGEMENT Discussion & Analysis

Brand Management

During the year, the Group's sales mix of own-label and exclusively distributed products, collectively referred to as House Brands, decreased from 43.3% to 41.0%.

Overall, our strategy aimed at expanding our choices to offer a wider range of parallel import products that are faster time to market, thereby strengthening our competitiveness in a slower market. Due to consumers' preference for low-or-mid price products and Korean products, our high-price house brand products that represent a large percentage of our house brand sales mix recorded a weak performance.

However, on the positive side, in response to the popularity of Korean products, we began to offer a broader range of Korean products, which saw sales of such products rising by 25.8% in Hong Kong and Macau. Leveraging on non-house brand Korean products' faster launches, sales of non-house brand Korean products outperformed sales of our house brand Korean products.



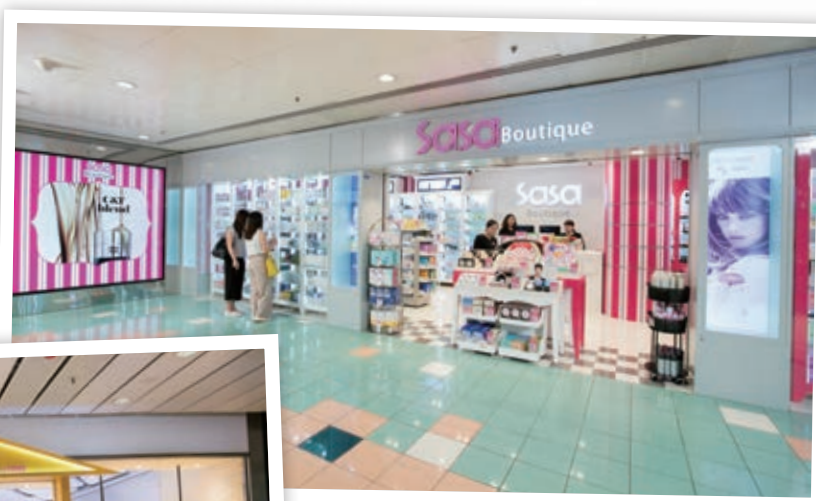
Outlook and Strategies

The Group expects the Hong Kong retail market will continue to face a number of challenges. The strength of the Hong Kong dollar has seen a marked increase in outbound travel by local people and a marked decrease in Mainland China inbound tourism. This trend is likely to continue in the coming year. Local consumption sentiment is expected to remain weak due to a slowdown in the Hong Kong economy, poor stock market performance and a declining property market. At the same time, the Mainland economy will remain weak and face a slowdown in consumption and hence lower average ticket sales per transaction. The one-visit-one-week permits on Shenzhen residents for travel to Hong Kong will continue to have an impact on tourist arrivals, particularly day-trippers, and may lead to fewer transactions.

Overall, consumer preferences are trending more towards lifestyle products and enhancement with budgets increasingly allocated to interesting experiences rather than to shopping. A change in demographics will continue to impact spending, with consumers focusing on low-or-mid price new concept products with short product life cycles. We expect cross-border e-commerce and new product trends will also complicate the retail picture, while competition and deleveraging will put pressure on profitability. The political situation in Hong Kong as well as anti-mainland tourist sentiment will add further uncertainty. As a result, our FY16/17 quarter-to-date (i.e. period up to 19 June 2016) retail sales and same store sales in Hong Kong and Macau declined by 5.1% (FY15/16 1st Quarter: -8.8%) and 4.6% (FY15/16 1st Quarter: -6.8%) year-on-year respectively.

In response to these concerted challenges, the Group has improved the management of our stores in the markets beyond Hong Kong to improve our competitiveness and profitability. For example, we have expanded our Malaysian store network, and integrated our Singapore management with the Malaysia team. We have also begun to operate an O2O business model to enhance the shopping experience and to tap the potential of cross-border e-commerce opportunities.

In Hong Kong itself, we have improved the cost effectiveness of our stores by repositioning and rationalising our store portfolio, optimising store sizes, and centralising operations. We have leveraged the customer base of our physical stores and of our strong product offerings while tapping the potential of our increasingly important online marketing operations. The O2O initiative will significantly broaden our product offerings in our physical stores through online sales and cross-border fulfilment. New store concepts will also attract new customer segmentations.



MANAGEMENT Discussion & Analysis

Hong Kong and Macau

In addition to the challenges mentioned above, the Group faces intensifying competition within the cosmetics industry in Hong Kong due to the increasing number of players and ongoing discount and promotional offers, all of which have impacted our profitability. In response, we propose to take the following measures:

In order to implement effective cost controls, we will continue our policy of store consolidation with aggressive rental cuts targeted at tourist stores or through complete closures. We will reposition our stores more in residential areas with better growth prospects and returns, as well as locating them in the New Territories districts near the Mainland border. We will optimise our store network to maximise store profitability, and we will simplify and centralise workflows at store level to increase productivity and reduce costs. In terms of stock management, we will reduce SKUs more aggressively and clear slow moving stocks to better display new and productive SKUs.

In Macau, we are optimistic about retail sector growth, since the Central Government has listed Macau tourism as a key sector for economic stimulus. At the same time, tourist attractions in Macau are growing rapidly to attract and accommodate tourists.

In order to drive sales and capture new customer segments, we will introduce fresh store formats, enhance productivity with optimised product offerings and displays, develop more lifestyle and trendy offerings to capture young and male customers, and accelerate new product launches.

In order to improve the overall shopping experience, we will emphasise innovative products and product displays to cater to new demand trends, provide a more comfortable shopping environment, facilitate more browsing, and attract impulse purchasers.



Mainland China

The dynamics of the cosmetics market in Mainland China continue to change, with Internet retailing growing at a rapid pace. The Group recognises the need to improve our management resources in the Mainland market. We have appointed a new management team and recruited new staff to serve a revitalised structure while also seconding experienced staff from Hong Kong to improve the attractiveness of our product offerings and our inventory management. We will continue to build the management structure, improve matrix reporting, upgrade the control process and compliance levels, raise the standard of reports, and improve training.

Going forward, we will roll out a trendy and innovative as well as lower cost and more effective boutique store format, which is already being welcomed by customers and landlords. The new format strives to enhance profitability and accelerate O2O business development to match government guidelines.

In terms of new product strategy for the Mainland market, we will introduce fast-moving and trendy items, especially those of Korean origin, as traffic builders to generate sales by increasing the number of transactions. As the dynamics of the market rapidly change towards Internet retailing, with cheaper products attracting increased attention online, more expensive products have to work harder to compete. We will launch well-known and good quality brands through store activities and incentives. We will work with key suppliers to understand their new product launch plans to ensure that new items are in stores at the same time as other retailers launch them and with sufficient stock support from suppliers. We will also leverage our Hong Kong resources to introduce brands that offer a wider and more differentiated range.

Singapore

The Group has restructured our management team for this market, merging the team with the Malaysia team for cost control purposes. Results are already being seen in new synergies and marked improvements in store management.

Malaysia

The Group will continue to focus on team building and succession planning in this market, building out our store network and product portfolio, and broadening our customer base to target the wider Malaysian population.



MANAGEMENT Discussion & Analysis

Taiwan

The business environment remains unfavourable in Taiwan. The Group recognises there are internal weaknesses that need to be addressed. The Group will proactively adjust our management structure and implement new policies to update our operations.

E-commerce – sasa.com

Up to the present moment, sasa.com operated its warehouse and logistic functions based in Hong Kong. The resulting high delivery costs and long fulfilment lead times meant that we had to focus on large basket size orders from customers with higher spending power. Our business was essentially focused on a narrow customer segmentation with low marketing returns and growth. In particular, sasa.com missed out on the high growth segment of customers with lower but rising spending power.

We believe that a new Free Trade Zone warehouse in China will help us overcome these challenges. The shortened fulfilment time of this warehouse will be in line with that of the market. The resulting lowered fulfilment costs will also allow us to serve customers with a small basket size while our marketing returns will increase due to a broader target audience.

Going forward, we will place more emphasis on e-commerce and also begin to gradually integrate our online and offline operations to increase competitiveness. We will offer an improved O2O shopping experience to customers and we will be able to better serve Mainland tourists who visited our stores in Hong Kong after they have returned home.

Ongoing Initiatives

Our immediate priority priorities are to link our online and offline CRM systems and to launch a new mobile app to enable our effective O2O development and help us drive the growth of our business. We will also develop and improve our backend systems to build scalability and improve agility, such as our order management system, to allow for an easy interface with different external platforms in order to support operational effectiveness.



Brand Management

In order to enhance our brand management, we will establish a new dedicated team to source innovative and trendy products. We will establish new functions in our sourcing department and marketing department with fresh structures and new teams, as well as strengthen our overseas sourcing resources.

Overall, we will target new consumer trends and gaps in our product offerings. We will also restructure our house brands to satisfy the market preference for Asian products, focus more immediately on Agent Products, and develop own label products with a certain time lag.

Human Resources

As at 31 March 2016, the Group had close to 5,000 employees. The Group's staff costs for the year under review were HK\$1,077.0 million. Details on our human resources programmes, training and development are set out in the "Environment, Social and Governance Report" and the "Enterprise Risk Management Report" sections of this Annual Report.

Conclusion

For many years, Sa Sa has continued to strengthen performance and profits despite many difficult economic environments and cross-currents. We believe we can continue to sharpen our competitiveness in the future and convert challenges into opportunities, such as those offered by O2O, by adapting to new consumer patterns and by leveraging on our proximity to southern China. We remain committed to a vision that builds on the flexibility and scalability of our business model, with its ability to rapidly respond to new markets, situations and trends – a vision that will continue to support our position as a leading provider of beauty products in the Asia-Pacific region. We believe that the flexibility and resourcefulness of our loyal staff and the long-term vision of our dedicated management team will ensure that we continue to deliver sustained, world-class growth for many years to come.



FINANCIAL

Review

Capital Resources and Liquidity

As at 31 March 2016, the Group's total equity funds amounted to HK\$2,288.3 million including reserves of HK\$1,999.1 million. The Group continued to maintain a strong financial position with cash and bank balances of HK\$1,079.0 million. The Group's working capital amounted to HK\$1,834.3 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, US dollar, Malaysian Ringgit, Singapore dollar, New Taiwan dollar and Swiss Franc and deposited in reputable financial institutions with maturity dates falling within a year. This is in line with the Group's treasury policy to maintain liquidity of its funds and continue to contribute a relatively stable yield to the Group.

Financial Position

Total funds employed (representing total equity) as at 31 March 2016 were HK\$2,288.3 million, representing a 7.5% year-on-year decrease.

The gearing ratio, defined as the ratio of total borrowings to total equity, was zero as at 31 March 2016 and 31 March 2015.



Treasury Policies

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

Charge on Group Assets

As at 31 March 2016, no asset of the Group was under charge to any financial institution.

Contingent Liabilities

The Group had no significant contingent liability as at 31 March 2016.

Capital Commitments

As at 31 March 2016, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK\$139.2 million.



BIOGRAPHICAL

Information of Directors and Senior Management



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

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

Dr Eleanor Kwok, *BBS*
Vice-chairman



Executive Directors

Dr KWOK Siu Ming Simon^{§^}, *BBS, JP* Chairman and Chief Executive Officer

Aged 63. Dr KWOK is the Chief Executive Officer, an executive director of the Company, the Chairman of the Board and the Chairman of both the Executive Committee and the Risk Management Committee of the Company. Dr KWOK together with his wife, Dr KWOK LAW Kwai Chun Eleanor, has overseen Sa Sa's operations since the Group's earliest days and successfully listed the Company on the Stock Exchange in June 1997. Over the past 38 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 PRC, Executive Committee of the Liberal Party and Central Committee of the Liberal Party, a member of the Election Committee in the Wholesale and Retail subsector, the Honorable Life President and Councilor of the Cosmetic & Perfumery Association of Hong Kong, the Honorary Founding President of the Professional Validation Centre of Hong Kong Business Sector, and the Honorary Life President of the Hong Kong Brands Protection Alliance, the Chairman of the Quality Tourism Services Association and the Honorary President of the Immigration Service Officers Association. He is also an elected member of the Board of Trustees of New Asia College, The Chinese University of Hong Kong.

Dr KWOK received the "Best IR by Chairman/CEO" (Small-cap category) from Hong Kong Investor Relations Association in 2016 and was selected for the "CAPITAL Leaders of Excellence 2014" by CAPITAL Magazine in 2015. In 2014, he received the "Global Outstanding Chinese Award" from the "Global Outstanding Chinese Association" and was selected for the "Who's Who Leadership Award Scheme" by the Asian College of Knowledge Management. In 2012, he received the "China Cosmetic Retail Industry Special Contribution Award" from the Circulation Industry Promotion Centre of Chinese Ministry of Commerce and the China Beauty Expo Organising Committee. Dr KWOK was an awardee in The Directors of the Year Awards 2011 in the Listed Companies (SEHK – Non Hang Seng Index Constituents) category organised by the Hong Kong Institute of Directors, a winner of the "Owner-Operator Award" at the DHL/SCMP Hong Kong Business Awards 2007 and a winner in the Retail Category in the "Ernst & Young Entrepreneur of the Year Awards China 2006". Dr KWOK was elected University Fellow by The Hong Kong Polytechnic University in 2012, received the degree of Doctor of Business Administration *honoris causa* from the Open University of Hong Kong in 2011, and 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 Vice Patron (2015-16), Campaign Committee Co-Chairman (2007-2011, 2015-16), 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, a Committee Member of Heifer International (2009-16), a Honorary Advisor of Hong Kong Youth and Professional Network (2015-17), a Board Member of Concerted Efforts Resource Centre (2016-17), a member of The First Military Summer Camp (2016-17), Vice-chairman of The Second Board of Hongkong Kowloon Charitable Foundation Association Limited (2013-16), an Executive Board Member of the Hong Kong AIDS Foundation (2006-15), and an Honorary Advisor and member (since 2006) and the Co-chairman for the Organizing Committee (2006 & 2009) of The Hong Kong Committee for the China AIDS Initiative.

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

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

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

BIOGRAPHICAL

Information of Directors and Senior Management

Dr KWOK LAW Kwai Chun Eleanor^{§#Δ^}, *BBS* Vice-chairman

Aged 62. One of the founders of the Group, an executive director of the Company and the Vice-chairman of the Board. She is a member of the Executive Committee, Remuneration Committee, Nomination Committee and Risk Management Committee of the Company. Dr KWOK has more than 40 years of experience in the sales and marketing of beauty products. With extensive professional knowledge and many years of experience in cosmetics retailing, she pioneered the unique operational concept of open-shelf display of beauty products, making shopping a more enjoyable experience. Dr KWOK plays a leading role in the marketing, operations, human resources and staff training functions of the Group. She is currently the Honorary President of the Cosmetic & Perfumery Association of Hong Kong, the Senator of The Hong Kong Federation of Women ("HKFW") and a member of The HKFW Entrepreneurs Committee.

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

Dr KWOK is actively involved in charity activities. She is the President of Sa Sa Making Life Beautiful Charity Fund (since 2013), the Chairman (since April 2016), the Vice-chairman (April 2012-March 2016) of the Board of Directors of Po Leung Kuk, the Vice President of the Hong Kong Girl Guides Association (2012-16), Major Sports Events Committee (since 2015) and was a patron of Caritas Fund Raising Campaign (since 2006). Dr KWOK was also a member of the Board of Directors of Po Leung Kuk (2006-12), one of the Originators of "Making Life Beautiful" Beauty Ambassador Training Programme of Po Leung Kuk together with Sa Sa (2008 and 2009).

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

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





Dr LOOK Guy^{S^A} Chief Financial Officer and Executive Director

Aged 59. Dr LOOK is the Chief Financial Officer and executive director of the Company, and a director of certain subsidiaries of the Group. Dr LOOK has over 33 years of experience in local and overseas financial and general management. Prior to joining Sa Sa in March 2002, he was the Chief Financial Officer and an executive director of Tom.com Limited (renamed TOM Group Ltd.). He holds a Bachelor's degree in Commerce and received a degree of Doctor of the University *honoris causa* from the University of Birmingham, England. Dr LOOK is an associate member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants ("HKICPA"). He is a member of the Governance Committee of the HKICPA. Dr LOOK is a member of Executive Committee and the Chairman of the Membership and Fundraising Sub-committee of the Hong Kong Retail Management Association, a member of the Energy Advisory Committee of the Government of the HKSAR, a member of the CNBC Global CFO Council, a member of the Financial Reporting Review Panel and a member of the Advisory Board of the Hong Kong Investor Relations Association.

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



BIOGRAPHICAL

Information of Directors and Senior Management

Non-executive Director

Ms LEE Yun Chun Marie-Christine

Aged 56. Appointed as a non-executive director of the Company on 26 February 2013. Ms LEE has a proven leadership position in retailing, branding and marketing, with more than 17 years of experience. Ms LEE was an ambassador of Harry Winston (Hong Kong) Limited, focusing on sales, branding and marketing, and successfully launched its debut shop in Hong Kong, from 2009 to 2016. Harry Winston is a world famous jeweller specialising in luxurious jewellery and jewellery watches. She is currently the director of Or-Tea, an international premium specialty tea brand created in Hong Kong and produced in Germany. Ms LEE is a founder of Sport Max HK Co Limited and Hope Sport Association, providing the highest standard of qualified and professional coaching in sports. She is also an advisory board member of Phoenix Property Investors (H.K.) Limited, a private equity real estate investment group focusing on first tier pan-Asian markets.

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

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

Independent Non-executive Director

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

Aged 62. 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, Vice President for Academic Affairs and the Founding Dean of the Business School of The Hong Kong University of Science and Technology. He was also the Justin Dart Professor of Finance at the University of Southern California. He obtained a PhD in Finance, as well as an MBA and MA in Economics from the University of California at Berkeley. Professor CHAN is a Fellow of the Hong Kong Management Association.





Dr LEUNG Kwok Fai Thomas^{*Δ#}, PhD, BBS, JP

Aged 67. Appointed as an independent non-executive director of the Company in January 2000 and is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Dr LEUNG has over 30 years of experience in management consultancy and is the Chairman of Vision in Business Consulting. He is an expert in business strategy, organisation 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 organisations 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^{*Δ#}, GBM, GBS, JP

Aged 70. Appointed as an independent non-executive director of the Company in June 2004 and is the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee of the Company. Ms TAM is currently an independent non-executive director of 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 and a member of the Hong Kong Basic Law Committee. She is the Chairman of the Operations Review Committee, the ex-officio member of the Advisory Committee on Corruption and a member of the Panel of the Witness Protection Review Board of the Independent Commission Against Corruption (effective from January 2015). She is also a member of various community services organisations.

Ms KI Man Fung Leonie^{*Δ}, SBS, JP

Aged 69. 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 Honorary Secretary of Wu Zhi Qiao (Bridge to China) Charitable Foundation, ExCo member of Youth Outreach, Vice Chairman of Musicus Society, a Director of PMQ and 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) and Advisory Board member of The Chinese University of Hong Kong/EMBA Programme. She has been a CPPCC member of Yunnan Province since 2002 and was appointed as National CPPCC member in 2013.





BIOGRAPHICAL

Information of Directors and Senior Management

Mr TAN Wee Seng

Aged 60. 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 and Chairman of Audit Committee of ReneSola Ltd whose shares are listed on the New York Stock Exchange, an independent non-executive director of Xtep International Holdings Limited, an independent non-executive director and Chairman of Remuneration Committee of Biostime International Holdings Limited and an independent non-executive director and Chairman of the Audit Committee of Sinopharm Group Co. Ltd. and CIFI Holdings (Group) Co. Ltd., all the shares of which are listed on the Main Board of the Stock Exchange. 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 privatised. He was the Chairman of the Special Committee for Privatization of 7 Days Group Holdings Limited from October 2012 to July 2013. Mr TAN has 37 years of financial, operation and business strategy as well as management experience and has also held various senior management positions in a number of multinational and Chinese corporations. From 2003 to 2008, he was an executive director, Chief Financial Officer and Company Secretary of Li Ning Company Limited, the shares of which are listed on the Main Board of the Stock Exchange. From 1999 to 2002, he was the Senior Vice President of Reuters for the China, Mongolia and North Korea regions, and the Chief Representative of Reuters in China. Mr TAN is a fellow member of the Chartered Institute of Management Accountants, United Kingdom, and a fellow member of the Hong Kong Institute of Directors.

Senior Management

Mr LAW Kin Ming Peter Senior Vice President, Category Management and Product Development

Aged 60. Joined Sa Sa in January 1996, Mr LAW was appointed as Senior Vice President, Category Management and Product Development in January 2008. He has more than 33 years of experience in the field of sales and marketing, 23 of which were in senior management positions. He is also a director of a subsidiary of the Group. Mr LAW oversees the Group's category management and product development function. He is also responsible for the Group's acquisition of exclusive distribution rights of international brands and the development of the Group's house brand products. He holds a Bachelor's degree in Arts majoring in Communications Studies from the University of Windsor, Ontario, Canada and pursued a Bachelor's degree in Commerce later. Mr LAW is the Honorary Advisor of the Cosmetic & Perfumery Association of Hong Kong. Mr LAW is the brother of Dr KWOK LAW Kwai Chun Eleanor and the brother-in-law of Dr KWOK Siu Ming Simon.

Dr LAW Tang Fai James Senior Vice President, Taiwan, Singapore, Malaysia

Aged 56. 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 two subsidiaries 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, Argos Retail Group and Glorious Sun Enterprises Limited. Dr LAW holds a Doctorate degree in Business Administration from The Hong Kong Polytechnic University, a Master degree in Business Administration from University of Sterling, UK and a Bachelor's degree in Business Administration from Ottawa University, USA.



Ms LU Szu Jen Senior Vice President, Information Technology

Aged 59. 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 Johns Hopkins University, USA.

Mr TSOI Keung Andy Senior Vice President, Group Financial Controller, Finance and Accounting

Aged 46. Joined Sa Sa in October 2009, Mr Tsoi was promoted as Senior Vice President, Finance and Accounting in April 2016. He has more than 20 years of professional experience in the areas of accounting, financial planning and analysis, treasury and tax planning and senior management. Before joining the Group, he has worked in a Big 4 audit firm and held senior management positions with various renowned multinationals both in the PRC and Hong Kong. Mr Tsoi holds a Bachelor's degree in Business Administration (Graduated with Distinction) from the University of Wisconsin – Madison, USA, and is a fellow member of the Hong Kong Institute of Certified Public Accountants, and an overseas member of the Chinese Institute of Certified Public Accountants (CICPA) in the PRC.

Mr YUNG Leung Wai Tony Senior Vice President, eCommerce

Aged 53. Joined Sa Sa as Senior Vice President of e-Commerce in June 2016. Mr Yung oversees the overall management and development of the e-commerce business. He has over 26 years of experiences in consumer finance, private banking, retail marketing, brand management and development of regional business strategies. Before joining the Group, he has worked in various international companies, including American International Group, American Express, American International Assurance Company and Chase Manhattan Bank. Mr Yung holds a Master of Business Administration degree in Marketing from Virginia Polytechnic Institute and State University, Virginia, USA and a Bachelor's degree in Travel Industry Management from Brigham Young University, Hawaii, USA. Mr Yung is the brother-in-law of Dr KWOK Siu Ming Simon.





ENVIRONMENTAL, Social and Governance Report

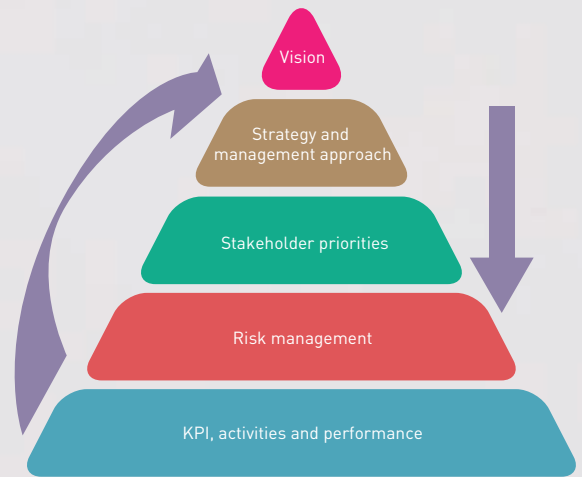
- ▶▶ Creating sustainable value through care for our stakeholders

OUR BEAUTY JOURNEY

Creating Sustainable Value Through Care for Our Stakeholders

It has been an exciting year for Sa Sa's aim to realise our "Making Life Beautiful" vision, as we strengthen our value creation by caring for and balancing the interests of our key stakeholders. Much care has been given to ensure our business activities create value for our human capital, our social capital and our natural capital. Although financial capital plays an important part in our business activities, this particular aspect is covered separately in other parts of this Annual Report.

In the external Environmental, Social and Governance ("ESG") Reporting environment, we have seen the raising of compliance levels set by the Hong Kong Stock Exchange ("HKEx") on ESG Reports and the growing adoption of the Integrated Reporting Framework (launched by the International Integrated Reporting Council) to answer stakeholders' needs. As part of our continuous improvement commitment, this report makes further disclosure on matters relating to Sa Sa's strategy, priority and the concepts that drives value creation in our various business processes.



★ Framework to sustain creation of stakeholders' value

Sustaining our value creation model through Sa Sa's operations requires a clear vision, and the balancing of the interests of our stakeholders while determining and executing our strategies.

Although our vision remains consistent, the dynamic nature of stakeholders' preferences requires regular review and refinement of our strategies and risk management procedures to ensure the fulfilment of stakeholders' ever changing needs.

In short, it is an on-going journey for Sa Sa to align all aspects of our organisational value creation process and organisational performance measure to our organisational vision.

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 FY2015/16.

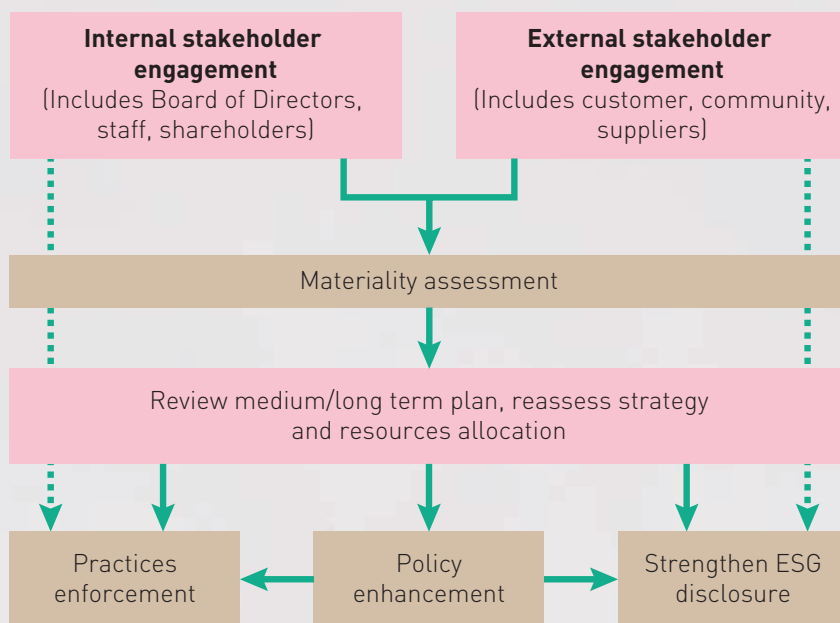
Identifying Priorities and Balances in Our Value Creation Process

In the preparation of this year's report, in addition to the regular senior management discussion of the various inputs and outputs of our value creation process, we have engaged an external consultant to undertake a series of workshops aimed at strengthening our ability to analyse both qualitative and quantitative feedback. Such initiatives enable stakeholders' priorities to be more accurately determined by balancing their different viewpoints. The stakeholder engagement process is spread over 3 key phases:



OUR BEAUTY JOURNEY

One of the key outputs we expected from the stakeholder engagement process is materiality assessment (see diagram below), where the view of what's important to business (for internal stakeholders) and what's important to stakeholders (for external stakeholders) is balanced through the plotting of a matrix. This matrix feeds into our decision process for long term planning, disclosure, policy enhancement and enforcement of relevant practices. The conclusions from the first stage of engagement are already incorporated in this draft report, enabling us to strengthen the coverage of key performance indicators ("KPIs") that our staff and senior management regard as of high importance.



Commitment to Enhancing ESG Performance Disclosure

As part of Sa Sa's commitment towards continuously enhancing our ESG overall management approach and performance, we have identified a number of priorities to work on over the coming year that embrace all our major subject areas:

<p>Complete stakeholder engagement</p> <p>Complete the rest of the internal stakeholders engagement and that of external stakeholders to enable a comprehensive assessment of priority KPIs and to identify relevant long term goals.</p>	<p>Increase disclosure coverage</p> <p>Increase the disclosure of the HKEx ESG Reporting Guide in relation to KPIs where material.</p>
<p>Complete major policy enhancement</p> <p>Complete our policy review for major ESG subject areas of environment, labour practices, operating practices and community engagement, and reinforce the relevant policy coverage where possible.</p>	<p>Strengthen integration</p> <p>Strengthen the value creation focus on both disclosure and strategy execution.</p>



“It is our company motto to repay the community which has been the foundation of our growth. Our principle involves serving our customers and shareholders, and at the same time, serving the interests of our talent, the environment and the community at large.”

Dr Simon KWOK, *BBS, JP*
Chairman and Chief Executive Officer

Dr Eleanor KWOK, *BBS*
Vice-chairman



OUR TALENTS

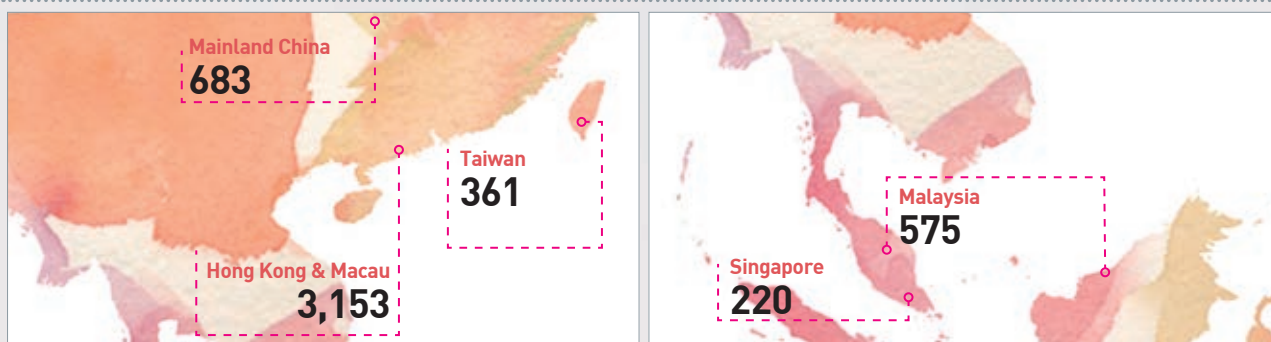
The Beauty of Inspiring Human Capital Towards Delivering Excellence

To inspire our talents towards excellence is one of our core strategies to fulfil our “Making Life Beautiful” vision. This goal is achieved through the recognition of our priority subjects, identification of the relevant strategies and management approach, as well as through management of related risks, as outlined in the diagram below.



Our physical presence spreads across five regions with our headcount reaching a total of 4,992 talents as at 31 March 2016, enabling us to deliver our “Making Life Beautiful” vision to some of the most vibrant cities in Asia.

Talent distribution at a glance





The Beauty of Respecting Our Stakeholders – Diversity in Human Capital

Respect is an important value for Sa Sa that reflects our attitude towards both internal and external stakeholders. We see respect as a core strength that must reside at the heart of our organisation and include all our stakeholders.

We believe that in an increasingly complex and fast changing business environment, respect of stakeholders' diversity helps us to understand and cater for different stakeholders with different perspectives and also helps us become more sensitive to different opportunities and risks.

Respecting Diversity, Reflected in Numbers

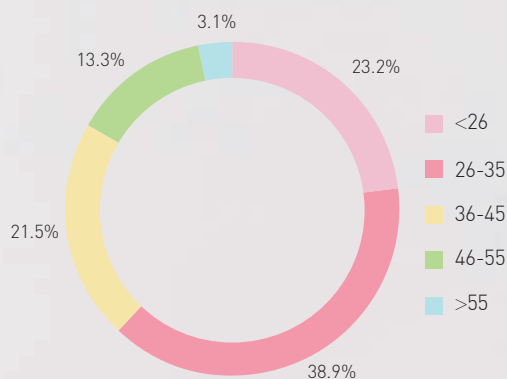
We believe in the beauty of diversity, and this is reflected in the composition of our Board, senior management and talent as demonstrated below:

FY15/16 Employment Contract Type Distribution

Permanent
85%

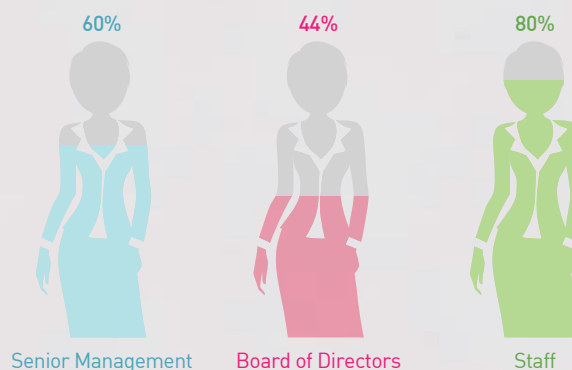
Contract/Part-Time
15%

Age distribution



* Percentages might not add up to 100% due to rounding.

Percentage of Female Composition



* Senior management includes all company executive directors, department heads, and department directors.

We have also benchmarked ourselves against the Hong Kong HSI50 in terms of gender diversity using the Women on Boards Hong Kong 2016 report published by Community Business. According to this report's analysis, our percentage of female on Board is at 44.4%, higher than the average of 11.1% and the top placing company of 36.8%.





OUR TALENTS

Managing a Diverse and Fair Workplace

A series of policies, operating manuals, handbooks and protocols are in place in Sa Sa, to build a workplace where our colleagues can feel respected in a diverse and fair working environment, enabling everyone to prosper in their own way. Some of the guiding documents include:

Employee Handbook With policy on employees' benefits, welfare, holiday and leave, responsibility, working hours, rest hours, promotion, feedback mechanisms, dismissal, and retirement.	Equal Opportunities Policy Policy to maintain a workplace that's free from discrimination and harassment in any shape or form.
Whistleblowing Policy Providing the necessary mechanism for employees who report misconduct within the organisation.	Gifts and Entertainment Policy, Conflict of Interest Policy and Guidance on Prevention of Bribery Ordinance Preventing and managing possible conflicts of interest and bribery.

There was no legal case brought against Sa Sa for corruption during the period.

Harnessing and Growing Beauty Talents – Recruitment and Development of Human Capital

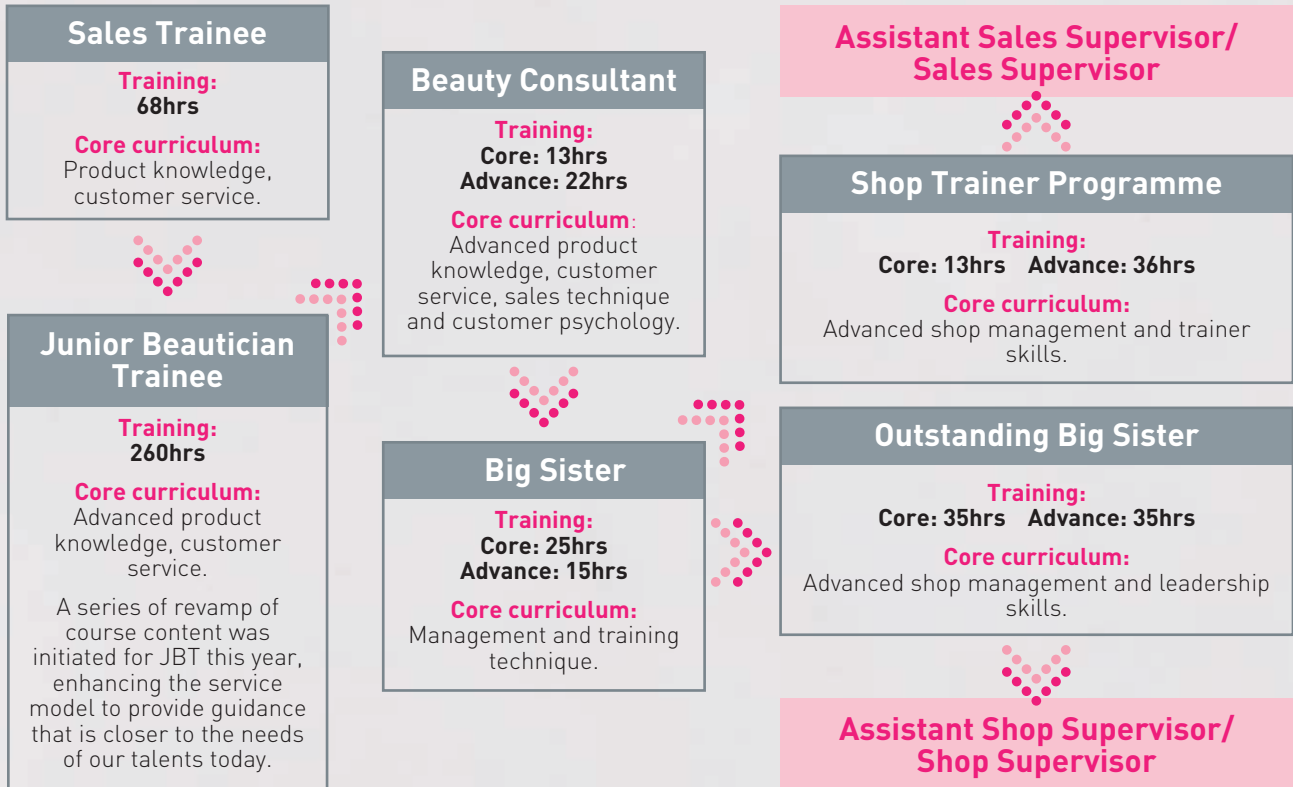
It is an art as much as a science for Sa Sa to provide an inspiring career path for our talents. With the demand for a wide variety of talents, a number of different career paths have been developed to attract and develop some of the best talents wherever we operate.

In this financial year, over 53,000 hours of in house training were delivered to our frontline staff and over 648 hours were delivered to non-frontline staff by our training department.



Sa Sa Beauty Consultant – Developing Professionalism in Beauty

Reflecting our commitment to providing only the best to our customers, we have developed a comprehensive training and development programme for our beauty professionals. These colleagues provide the core of our unique customer experience.



Our Junior Beautician Trainee (“JBT”) graduation is one of our annual highlights – recognising our colleagues’ achievements in accomplishing over 260 hours of intensive training and in passing the relevant examinations.







OUR TALENTS

Management Trainee – Fast-tracking Growth at Sa Sa

As a fast track to the beauty professional career and to integrate our frontline and back office operations, our 15th round of recruitment to our Management Trainee (“MT”) programme was again a huge success.

The programme provides an opportunity for our colleagues to rotate in all major departments in Sa Sa, and to grow as they contribute their insights across all aspects of Sa Sa’s operations.

By the number:

	MT Application number: 1,338		Rounds of interviews: 3
	Intake number: 32		Development plan: 20 months

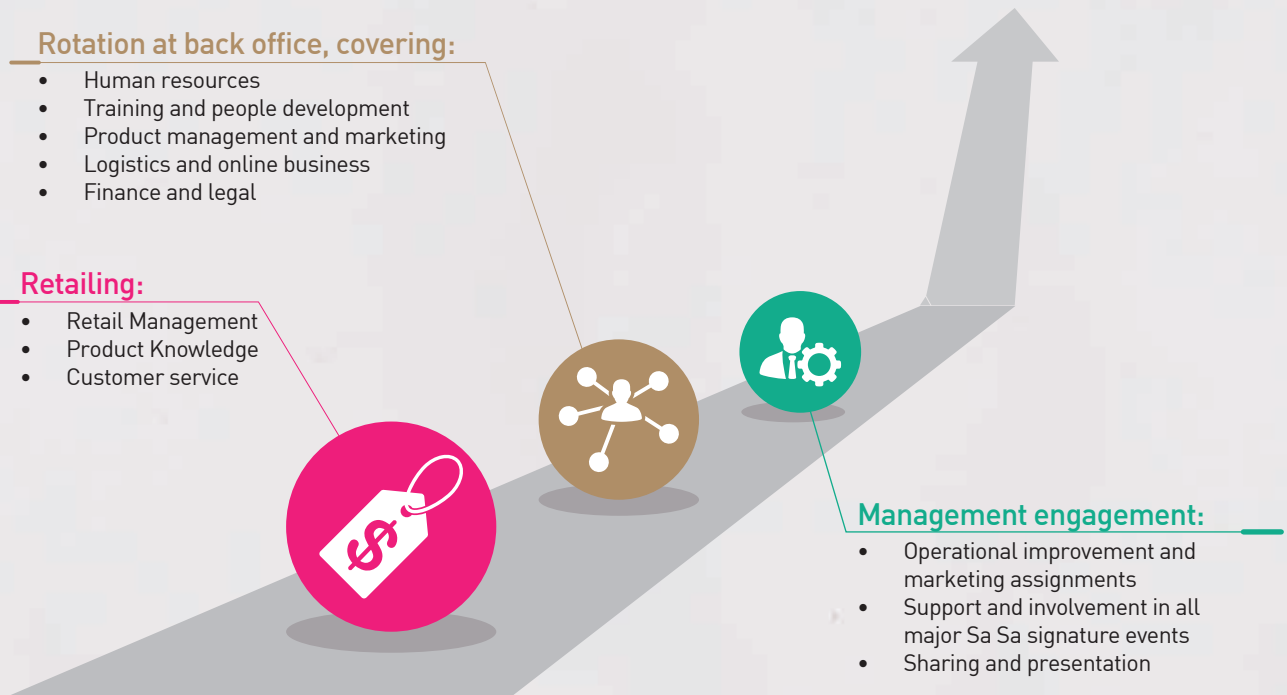
FAST-TRACKING ON CAREER AND LEADERSHIP DEVELOPMENT

Rotation at back office, covering:

- Human resources
- Training and people development
- Product management and marketing
- Logistics and online business
- Finance and legal

Retailing:

- Retail Management
- Product Knowledge
- Customer service



Management engagement:

- Operational improvement and marketing assignments
- Support and involvement in all major Sa Sa signature events
- Sharing and presentation

★ MT diverse experience



Supporting for Continuous Growth – A Journey of Continuous Learning

The development support for our colleagues is constantly under review, strengthening alignment of our programmes with talents' needs in terms of content and media form. Some of the training enhancements that were undertaken this year include:

Operations Training

- JBT sales top up training, to ensure our beauty consultant is prepared for the increasingly sophisticated customer.
- "Magic word" training for non-sales frontline staff, raising their competency when interacting with the customer.

Product Training

Ensuring our colleagues are up to speed with the market development, additional field coaching was arranged this year, along with special workshops on nutrition, health foods and makeup.

Product insights from the field

With many of our frontline staff being experts in products offered by Sa Sa, a sharing platform and a series of video competitions were launched (潮拍大比拼), escalating our frontline staff's interest in contributing to the Sa Sa Beauty Academy knowledge centre.



Earn and Learn Pilot Scheme – Experimenting Work Experience

In our first year of supporting the Earn and Learn Pilot Scheme organised by Vocational Training Council and Hong Kong Retail Management Association ("HKRMA"), Sa Sa was able to provide training for a total of 11 relevant foundation diploma holders, offering the students working experience and earning opportunities as part of their training programme.

Business-School Partnership Program ("BSPP") – A Seed to Connect with Our Future

In an initiative organised by the Education Bureau, Sa Sa successfully connected with 50 students from 13 secondary schools at BSPP, providing them with a series of seminars, workshops and shop attachments, as well as providing insights about working in the retail industry and potential career options for future high fliers.



教育局
商校合作計劃



OUR TALENTS

Beauty of Multi-Channel Communication – Engaging Our Talents

Employee engagement and social dialogue are recognised by Sa Sa's senior management as extremely important priorities. Multiple channels have been established to enable engagement of our talents at different levels, and to constantly align with our "Making Life Beautiful" vision as defined on a daily basis.

Connecting

Sending messages of care:

- Social event: Social events are organised throughout the year, from small scale mooncake making classes to large scale annual dinners that accommodate over 2,800 guests, showing our commitment to many types of engagement.
- New hire induction: Upon arrival of new colleagues, a formal induction is held within the first week.
- Human Resources ("HR") Pulse Check: Routine checks are conducted by HR department for new hires during their initial three months in Sa Sa, to ensure they are settling into the Sa Sa family.

Empowering leadership at all hubs

Strengthening communication and leadership within frontline staff:

- Shop night meeting: Reflecting the dynamic nature of the shop environment, each shop hosts its own Night Meeting at least twice per quarter, thereby ensuring that team members are aligned with the important priorities for each shop and with strategic guidance from management.
- Supervisor coaching class: Workshops are held for Shop Supervisors and Big Sisters to enable them to play a stronger role in leading their teams.

Connecting with the core

Connecting senior management with our beauty ambassador:

- Grand Breakfast Meeting: Our annual strategy setting workshop with over 2,000 colleagues took a new shape this year, with the focus on innovation and collaboration. A team challenge was added to the event, fostering a collaborative mindset amongst our frontline and back office staff.
- Breakfast Meeting: An annual sharing session was hosted by each Operations Manager to identify key challenges and opportunities based on experiences of interacting with customers.
- Supervisor meetings: A monthly gathering with supervisors from each of our stores was held to ensure regular reviews and alignment with company priorities.

Defining the core and direction

Board and senior management level discussion:

- Board of Directors meeting: A total of 25 Board and Board committee meetings were held this year to ensure that key strategic priorities were clearly defined.
- Department heads meeting: This was held on a weekly basis to ensure the continuous alignment of operations to organisational strategic priorities.
- "Dialogue in Silence" Workshop: A series of engagement workshops with senior management and operations managers that aims at encouraging innovation and communication between internal and external stakeholders.

SaSa's Senior Management at the 38th Sa Sa Annual Dinner



Your day will come – Our colleagues shared the importance of grooming in job interviews



Our colleagues enjoyed a Green Lunch in the office



Mooncake workshop for staff



Supporting Greeners Action in the Lai See Recycle Program for the 3rd consecutive year



OUR TALENTS

Grand Breakfast meeting



Sa Sa Lovely Christmas in Community – Sa Sa colleagues made a one-day trip to an organic farm with children of S.K.H St. Christopher’s Home, promoting the organic lifestyle



Stakeholder Engagement Workshop for Senior Management



Fair Trade Food – Invited fair trade vendors to share the benefits of this important social movement

Preserved flower workshop – The Sa Sa Staff Recreation Club organised a variety of leisure activities for our colleagues, including a preserved flower workshop



Sa Sa Lovely Christmas in Family – Our colleagues brought along their families to join the teddy bear design workshop





Sharing the Fruits of Success – Rewarding and Protecting Our Talent

The success of Sa Sa is the result of the success of our talents. Over the years, we have developed various forms of reward to recognise their contributions. We also recognise the importance of protecting them against hazards and undesirable practices in the workplace, so that our talents and their hard work can truly shine through.



Beauty of Service Excellence

Reflecting Sa Sa's excellent performance against some of the industry's best practitioners, we again won a number of awards this year, with our La Colline shop winning the 2015 Service Retailer Of The Year award; one of our shop Beauty Consultants won the HKRMA Top Ten Award; and a student intern won a Gold Award as part of the Earn and Learn Student Category.

Beauty of Loyalty

The success of Sa Sa today is the result of years and years of contributions from countless colleagues. We are fortunate that we were able to recognise a total of 265 colleagues that walked with us on this extraordinary beauty journey for 5, 10, 15 or 20 years, each was personally greeted and awarded the long service award by our Chairman and Vice Chairman.

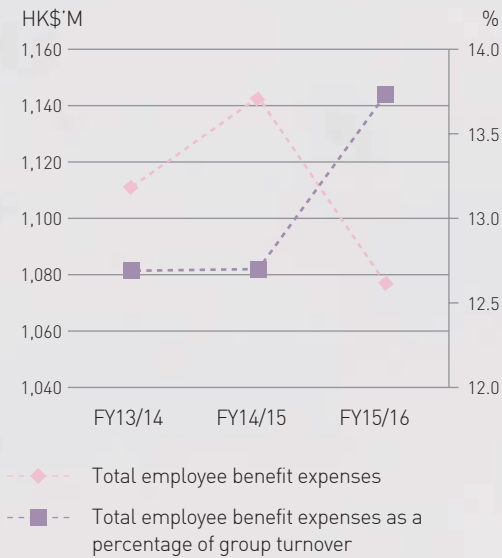


Beauty of Excellence Performance

In such an ever changing and dynamic retail environment, we highly value those of our colleagues who are persistent in driving our operations towards our collective goals, whether their contribution is service related, or sales driven. We were once again glad this year to recognise them by presenting 23 awards at our Grand Breakfast Meeting.



OUR TALENTS



Staff Welfare and Benefits

Our remuneration packages are reviewed regularly and multiple incentives and rewards are offered to motivate and recognise our colleagues. As part of the performance management system, KPIs are adopted to ensure that the requisite directions and standards are set and met. There are many performance incentives for our employees, with discretionary bonuses, sales bonuses, sales commissions, share options and share awards being offered to reward good performance.

The total employee benefit expenses of the Group amounted to HK\$1,077 million for the financial year 2015/16, sharing approximately 13.73% of our organisation's turnover.

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. We believe in the importance of recognising employees' accomplishments, and thus we have many different, but equally valuable ways of rewarding our talents.

Following the success of the launch of the free shuttle service for our staff in 2015, we offered two more routes this year, providing coverage for the New Territories and Western Kowloon to connect with our offices and logistics centre in Chai Wan.

Recognising the Experience of Beauty Professionals

To recognise the expertise of our beauty professionals in delivering exceptional customer service, we participated in the Recognition of Prior Learning programme organised by the Qualifications Framework, helping over 50 colleagues to convert their experience into formal qualifications (for Level 3 & 4 of Customer Service and Store Operations Integrated).



資歷架構
Qualifications
Framework



Protecting our Beauty, Labour and Health and Safety

Ensuring compliance with the required occupational safety and health regulations and labour standards

- A dedicated Health and Safety (“H&S”) Committee has been set up to address H&S issues, led by the Head of Human Resources with members from various departments.
- A series of workshops and measures were developed to enhance staff awareness of relevant health and safety issues, including:
 - Guidance on manual handling operations to reduce the risk from labour intensive operations;
 - Winter sickness prevention workshop; and
 - Wisdom of weight control and prevention of high cholesterol, hypertension, high blood sugar workshop.
- Work related injuries are being constantly monitored by the H&S Committee.
- A module on avoiding workplace injury has been included in staff induction.
- Health and safety by the numbers:
 - There were zero cases of fatality due to workplace accidents in 2015/16;
 - There were 42 cases of work related injuries in 2015/16;
 - The total lost days due to work injury was 572 days; and
 - An average of 0.31 days of sick leave were taken by our staff members per month.

Sa Sa complies with local employment regulations in all locations of our operations, and does not engage in any forced or child labour.

Outlook – Anticipating Future Challenges by Driving Excellence

Managing staff turnover will continue to be one of the key challenges in delivering our “Making Life Beautiful” vision, particularly as the landscape of the beauty industry changes with increasing competition for talent by various international brands. The increasing demand by customers for a more dynamic shopping experience also poses challenges to our approach in developing our colleagues, particularly for training that is relevant to the integrated online and offline environment of today.

Enabling innovation in our operations is also a major hurdle going forward, with the organisation entering the 39th year of our operations. Various departments have already taken the lead in regard to innovation by simply retuning their “deliver as usual” mindset towards solving the new challenges of daily operations. Such innovations often lead to a reduction in workload and costs while also improving work satisfaction.



OUR ENVIRONMENT

To Innovate, to Influence and to Preserve
Our Natural Capital



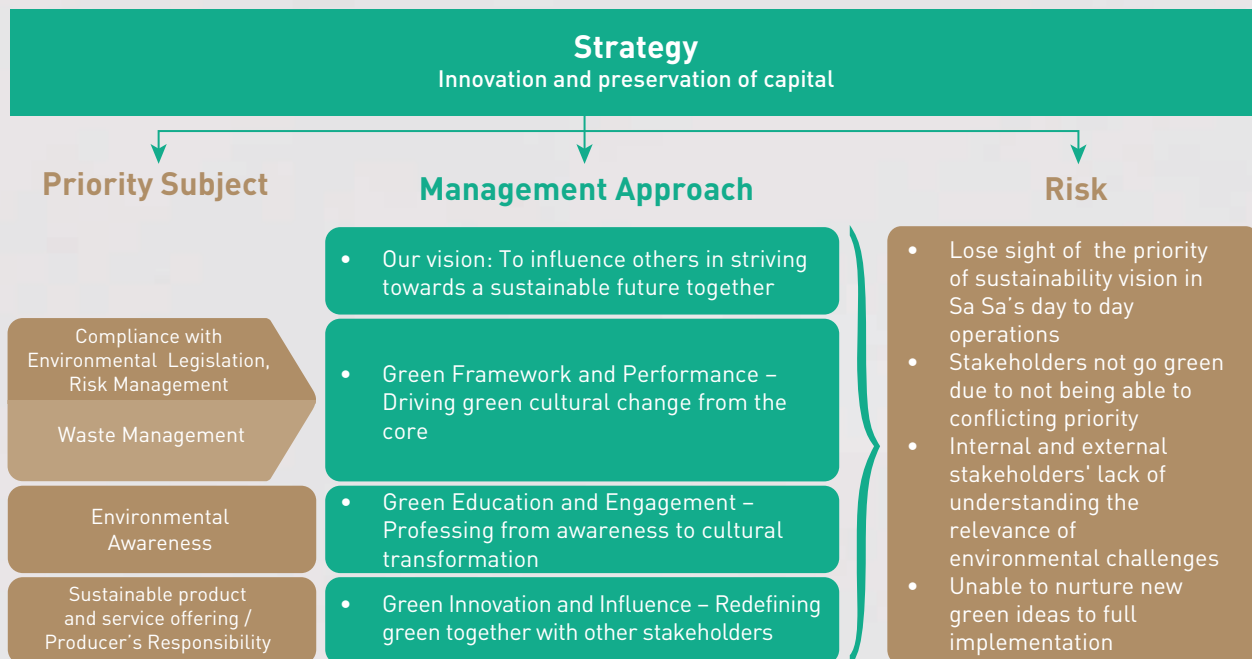
“To drive green changes with sufficient impact and scale, we must innovate, collaborate and influence. These beliefs have led to the birth of Sa Sa’s inaugural Glocal Greenovation Challenge- working with 30 partners to nurture the next generation of green leaders.”



Dr Guy Look
CFO & Executive Director

The environmental damage that mankind has caused this planet is phenomenal. We are contributing to climate change, depleting natural resources, and polluting the natural environment at a rate never seen before. Taking climate change as an example, the year 2015 set a record for Hong Kong once again; the annual temperature averaged 24.2 °C, the highest average annual temperature since 1884. The maximum temperature also peaked, the record being broken on 8 August 2015 when the temperature reached 36.3 °C. Other notable weather abnormalities were observed; for example, there were no Tropical Cyclone Warning Signals in August and September 2015 for the first time since 1946.

It is undisputable that human activities contribute towards environmental damage. We believe that it is our responsibility to encourage all our stakeholders internally and externally to preserve the environment, in the belief that the beauty both of our customers and of our environment can be conserved. Our approach to delivering this vision is set out in the framework below:



Our Vision - To Influence Others in Striving towards a Sustainable Future Together

It is our vision to ultimately influence every stakeholder who is in contact with us by offering beauty solutions that serve their aspirations and those of both society and the environment. Our goal is to exert a sustainable influence that is driven by the passion of Sa Sa and by the commitment of each individual within Sa Sa.

There are six core aspects that are required to drive forward the necessary green transformation. These include a dedicated green team; policies and processes that form the core framework; a commitment to continuous education; providing an efficient engagement platform; emphasising innovation; and developing the mindset to influence. These aspects are further elaborated below.



OUR ENVIRONMENT

Green Framework and Performance – Driving Green Cultural Change from the Core

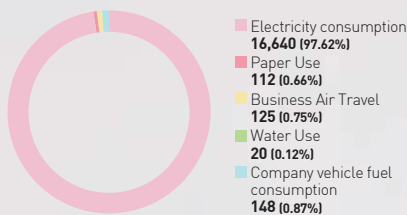
In order to tackle environmental challenges, we recognise the importance of addressing the challenges in a systematic manner, so that the sustainability solution itself is also sustainable. We aim to transmit our work from the core team, extending it further to drive and manage our environmental KPIs. One of the most significant environmental impacts resulting from our operations is greenhouse gas (“GHG”) emissions produced by the energy required to run our shops, offices and logistics facilities. Other environmental impacts caused by our operations are those associated with waste disposal, paper use and water consumption.

GHG Emissions

14.1%

Reduction in GHG emissions per gross floor area from our business operations over last year

Total GHG Emissions by Categories



Unit: tCO₂e

Electricity consumption accounts for 97.62% of our total GHG emissions.

Electricity

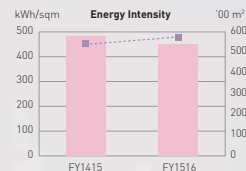
All New Shops

and office are equipped with close to 100% LED or energy efficient lights



Charter on External Lighting

Sa Sa is one of the early signatories of the Charter – with all relevant HK retail shops now committed to switching lights off at predetermined hours



Our energy intensity relative to gross floor area (“GFA”) was 450 kWh/sqm. This represents an improvement of 6.6% over last year

Waste and Recycling

174,960

carton boxes has been collected for reuse since July 2015

P-Life Additive

has been added to all our plastic shopping bags and most of our office rubbish bags

Plastic/ Aluminium

Recycling facilities are installed across all offices

Supply Chain Management

Evaluating the non-financial performance factors including the commitment towards environmental protection when selecting new product vendors, seeking to partner with those that are aligned with our sustainability commitments through our newly revised ISO certified procurement process

Paper

31%

Increase of paper being recycled compared to last year (18,602kg → 24,369kg)



FSC

All office printing paper are FSC-certified.

Printing in the office is set with duplex, with e-Fax installed to minimise printing

Transportation

11%

Reduction in distance travelled by business air travel per headcount compared to last year



Shuttle Bus

has been provided to reduce the travel by private vehicles

Euro V

All Sa Sa-owned transportation fleet in HK meet Euro V emission standards

Logistic centre selection

Environmental protection was incorporate as part of the warehouse vendor contract to ensure management are committed towards environmental protection

Other areas

Shark Fin

soup has been banned from being served in annual dinner banquet since 2010

Area for Improvement

Water Consumption

per GFA have been increased by 2.3%

Paper Usage

per headcount have been increased by 5.44% to 3,028 pcs/head



Core team and leadership

- Taskforce: An established ESG Taskforce with representatives from all major departments, co-chaired by the Corporate Strategy and Development Director and Senior ESG Manager
- Team: A small team of full time staff is established to facilitate the work of the ESG Taskforce to comply with HKEx ESG Reporting Guide requirements and the Board of Directors' priorities. Interns from Hong Kong University of Science and Technology were also recruited this year, providing Sa Sa with additional research capacity along with working experience for the students

Policy and endorsement

- The ESG Taskforce is endorsed by Board of Directors, and with regular reporting engagement with the Board for Directors
- An established ESG policy statement since February 2012

* Detailed statistic table, assumption and methodology can be found in page 80-81.



Green Education and Engagement – Progressing from Awareness to Cultural Transformation

To drive forward a truly sustainable culture, we see it as one of our priorities to provide a relevant platform that will enable our colleagues to recognise various environmental challenges and the availability of solutions. We focus on mounting campaigns that are relevant and impactful.

Food for Thought X Sa Sa Green Mart



Two staff engagement workshops were held in the office this year, each with over 100 participants. The workshop agenda included personal sharing of green experiences by our CFO and Executive Director Dr Guy Look, fair trade stories by Fair Trade Hong Kong (“FTHK”), and an up-cycling challenge proposed by Hong Kong Design Institute (“HKDI”). Popup stores were set up by FTHK to create Sa Sa’s first Green Mart, where our staff were able to experience different products sourced by FTHK. HKDI also brought in their designer to complete the up-cycling design for Sa Sa’s old uniform, enabling our colleagues to personally experience the historic character of their uniform.



OUR ENVIRONMENT



The Smile from a Full Moon Mid-Autumn for the Underprivileged

In supporting the work of Food Grace in bringing joy to the underprivileged during the Mid Autumn Festival, Sa Sa collected a total of over 220 mooncakes from colleagues, which were redistributed to the needy by Food Grace. Not only were the recipients happy with the extra treat, mooncake spoilage by our colleagues was also minimised.

Green Commitment Starting from Day 1

Sa Sa's commitment to the environment is part of the standard staff induction when colleagues commence work with Sa Sa. In this induction they are briefed about Sa Sa's commitment to minimising our colleagues' potential negative environmental impact on the world around us.

Regular Education

Regular news emails and newsletters are circulated amongst all colleagues, ensuring that they are made aware of some of the latest green trends, concerns or activities.

Green Innovation and Influence – Redefining Green Together with Other Stakeholders

Being so closely connected with our retail network, we feel it is our responsibility to leverage our ability to influence individuals beyond our own staff.

Celebrating a Green Christmas with Love

Sa Sa's 2015 Christmas promotion was themed as "Christmas Love & Warmth Around" (愛•洋溢), reminding our customers of the importance of love during this special season: love for the environment, love for the family, love for the community, and love for themselves!

Love for the environment - A greener alternative to express love



"box-less" sets as a way of celebrating both the environment and the Christmas festival.

Working with our suppliers, Sa Sa launched a special Christmas Green set this year including the premium Suisse Programme and Methode Swiss products. In order to minimise the waste from over-packaging, customers were offered the option of

Love for society – with S.K.H St. Christopher's Home green workshop



A Christmas outing was organised this year. Sa Sa volunteers invited young people from S.K.H St. Christopher's Home together with members of their own families to visit Hello Kitty Farm. Not only were the young people introduced to various parts of the organic farm to learn about climate change, they also jointly worked on an up-cycling project making Christmas decorations by using excess stock of paper boxes. A Sa Sa loving soft-toy bear was also presented to each participant as a Christmas gift.



Love for the family – Sweetening people’s lives



50 of Sa Sa’s shops participated in the annual charity chocolate sale hosted by S.K.H St. Christopher’s Home this year, with all proceedings going towards funding the S.K.H St. Christopher’s Home. The Home supports young people who are less fortunate in their family circumstances.

Love for themselves



One of the core messages in the Sa Sa Christmas campaign this year was that loving others doesn’t always lead to compromising one’s own self. Customers received extra gifts when they purchased the green set (for the environment); the charity chocolate sold at Sa Sa was actually cheaper than similar products sold at Lucullus. Everyone took away beautiful memories and gifts from working with these underprivileged young people.



Doubling Fortune with Lai See

Sa Sa was proud to be one of the diamond sponsors of Greeners Action’s Lai See collection programme again in 2016, setting up a total of 50 public collection spots in Sa Sa stores, offices and logistics centres. Due to word-of-mouth support from both colleagues and customers, a total of 288,000 red packets were collected over the two-week period, a 55% improvement as compared to previous years.



Beauty of a Second Life: Up-Cycling Design with HKDI

In partnership with HKDI and the St James’ Settlement (“SJS”) Up-cycling Centre, Sa Sa successfully up-cycled most of the 2,500 uniforms that were made obsolete in 2014 when a rebranding exercise was undertaken.

The uniforms were transformed into wallets, makeup brush holders and eco-bags that were then sold on by SJS outlets, enabling further fundraising for green projects.

Parts of the uniforms were used as training materials by HKDI for one of its courses.



OUR ENVIRONMENT

Nurturing the Next Generation of Green Leaders – Glocal Greenovation Challenge

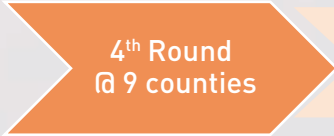
In a world that's evolving at a rapid pace, we see the need for more green leaders in society to steer the planet towards a greener future. Hence our launch of Glocal Greenovation Challenge ("GGC"), a programme fully funded by money collected by Sa Sa via the Environmental Levy Scheme on Plastic Shopping Bags. GGC is a competition that aims to identify and nurture green leaders through partnering with over 30 organisations that share the same passion, thereby delivering innovation that can make a substantial contribution to creating a better world.

The core of the competition involves a 54-hour non-stop social innovation marathon, during which some outstanding ideas are generated, selected and funded. The GGC goes beyond being just a competition, since we provide both the conditions and support for individuals to accelerate their green ideas and to transform them into green reality!

A process that creates potential leaders

A number of stages in GGC helped our participants to identify their team, their challenges and how to transform the best ideas into reality!





4 of the best teams, to travel aboard to research and experience various innovation / green challenges.



Top team, to pitch to an executive of their choice to fast track ideas to implementation.



Intellectual support

- Over 100 senior executives, mentors and volunteers from over 20 industries supported GGC to deliver workshops, training and coaching that covered innovation and the environment, including:
 - Design Thinking – delivered by the PolyU Institute of Entrepreneurship and Google;
 - Crowdfunding workshop delivered by Fringebacker; and
 - Climate change and environmental challenge supported by Environment Bureau, Sa Sa, WWF-Hong Kong, Sustainable Fashion Business Consortium, CLP, Hong Kong Airlines, Uber, Links REIT, SJS Upcycling Centre etc.
- 4,000 man hours – An aggregate of 4,000 man hours was devoted by all our GGC participants and supporters to solving the environmental challenges together.

Resources support

- A range of attractive prizes were offered to the participants, with the aim of enabling them to deliver their greenovation dream. These included:
- HK\$100,000 of seed fund;
 - 24 overseas volunteering placements fully paid for by Sa Sa;
 - 30 open tickets sponsored by Hong Kong Airlines;
 - An executive dinner sponsored by Peninsula Hotel;
 - Membership at Makerbay; and
 - MT opportunity at Sa Sa.

Sharing Experience from Our Green Journey



Being one of the earliest adopters of ESG reporting, Sa Sa is proud to share its stories with the aim of inspiring and enabling other industry participants to commit to the green journey. Some of the platforms through which we have shared our stories include:

- A journey to create value for shareholders and stakeholders by HKU Space and Association of Chartered Certified Accountants;
- CarbonSmart Achiever Awards Presentation Ceremony by Hong Kong Productivity Council;
- Getting Started with Sustainability Reporting by Canadian Chamber Sustainable Development Committee; and
- Listed issuer seminar on ESG by HKEx.

Our executives also show a keen interest in using their influence to drive the green agenda through other platforms, including our CFO & Executive Director Dr Guy Look serving on the Energy Advisory Committee of the HKSAR.



OUR ENVIRONMENT

Green Performance Table – Our Progress by Numbers

To assist our stakeholders in reviewing all aspects of our environmental performance, we have provided a summary table that lists selected environmental KPIs.

GHG emissions

Intensity
(tCO₂e/sqm GFA)

-14.07%
% Change from FY2014/15

0.295 0.344
2015/16 2014/15

Intensity
(tCO₂e/HK\$1m revenue)

+6.82%
% Change from FY2014/15

2.699 2.527
2015/16 2014/15

Total Scope 3 (tCO₂e)

257 298
2015/16 2014/15

-13.71%
% Change from FY2014/15

Total Scope 1+2+3 (tCO₂e)

17,046 18,589
2015/16 2014/15

-8.30%
% Change from FY2014/15

Total Scope 1 (tCO₂e)

148 137
2015/16 2014/15

+8.30%
% Change from FY2014/15

Total Scope 2 (tCO₂e)

16,640 18,154
2015/16 2014/15

-8.34%
% Change from FY2014/15

Energy use

Total (MWh)

25,940 26,023
2015/16 2014/15

-0.32%
% Change from FY2014/15

Intensity
(tCO₂e/HK\$1m revenue)

+6.78%
% Change from FY2014/15

2.635 2.468
2015/16 2014/15

Intensity
(kWh/sqm GFA)

-6.59%
% Change from FY2014/15

450 482
2015/16 2014/15

Water use

Intensity
(cu.m/sqm GFA)

+2.33%
% Change from FY2014/15

0.582 0.568
2015/16 2014/15

Intensity
(tCO₂e/HK\$1m revenue)

+27.2%
% Change from FY2014/15

0.00316 0.00249
2015/16 2014/15

Total (cu.m)

33,515 30,691
2015/16 2014/15

+9.20%
% Change from FY2014/15

Intensity
(Litre/sqm GFA)

+1.57%
% Change from FY2014/15

0.943 0.929
2015/16 2014/15

Intensity
(tCO₂e/HK\$1m revenue)

+26.15%
% Change from FY2014/15

0.0235 0.0186
2015/16 2014/15

Vehicle fuel consumption

Total ('000 L)

54 50
2015/16 2014/15

+8.39%
% Change from FY2014/15

Paper use

Intensity
(pcs/headcount)

+5.44%
% Change from FY2014/15

3,028 2,872
2015/16 2014/15

Intensity
(tCO₂e/HK\$1m revenue)

-4.20%
% Change from FY2014/15

0.0178 0.0186
2015/16 2014/15

Total ('000 pcs)

9,547 9,316
2015/16 2014/15

+2.49%
% Change from FY2014/15

Total (kg)

47,771 47,056
2015/16 2014/15

+1.52%
% Change from FY2014/15

Natural resource recycled

Paper (kg)

+31.00%

% Change from FY2014/15

24,369
2015/16

18,602
2014/15

Aluminium (kg)
38
2015/16

Plastic (kg)
65
2014/15



Air travel

Intensity

(km travelled/headcount)

-10.91%

% Change from FY2014/15

255
2015/16

286
2014/15

Intensity

(tCO₂e/HK\$1m revenue)

+1.61%

% Change from FY2014/15

0.0198
2015/16

0.0195
2014/15



Carton box

Consumed ('000 pcs)

305
2015/16

Reused ('000 pcs)

175
2014/15

Shopping bags consumption

Intensity

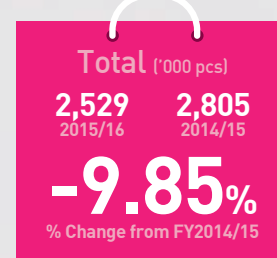
(pcs/revenue HK\$)

+5.02%

% Change from FY2014/15

0.40
2015/16

0.38
2014/15



* Data reported covers the shop operations, head office operations and logistics centre operations in Hong Kong and Macau, except for natural resources recycled, for which only the head office data are reported

Disclosure improvement

A number of enhancements have been made to the reported statistics this year, covering:

- GHG:** In order to provide a more comprehensive view of our GHG impact as a company, we have further classified Sa Sa GHG emissions into 3 scopes (rather than considering them as one as per prior years). In this we have followed the principles outlined in the *Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong (2010 Edition)* issued by the Electrical and Mechanical Services Department and Environmental Protection Department. The relevant activities under each scope are as below:
 - **Scope 1** – Fuel used by transport fleet owned by Sa Sa and employee-owned vehicles used for business purposes;
 - **Scope 2** – Purchased electricity used in our business operations; and
 - **Scope 3** – Employees' business travel by air, supply of freshwater and sewage treatment, and paper disposal at landfills.
- Additional KPIs:** In response to the priority subjects identified by our internal stakeholders and as a part of our effort to continue to enhance the completeness of our reporting work, the following quantitative KPIs have been added to the KPIs of this year's report:
 - Natural resources recycled (i.e. paper, aluminium and plastic) in our head office operations;
 - Shopping bags sold to the customers under the environmental levy scheme for plastic shopping bags; and
 - Carton boxes recycled for logistical purposes; we have started measuring the number of carton boxes recycled since July 2015.
- Performance figures' measurement:** To improve the accuracy of our measures, a few changes have been made in terms of the approach taken to gauge actual environment-related activities. We applied our new methodology to both FY2014/15 and FY2015/16 this year to ensure consistency of figures for comparison:
 - The electricity and water volume are captured from each individual bill rather than projections based on fees that were charged;
 - The emissions associated with electricity purchased are based on latest emission factors provided by HK Electric and CLP. For Macau, a territory-wide default value of 0.7kg/kWh is used to calculate the emissions associated with the electricity supplied by CEM (Macau electric company); and
 - The average GFA is used as a denominator for intensity measured across many performance figures. The GFA is gauged monthly in this report compared to the approach of using the mid-year GFA to balance the variations between the beginning and end of the year.

OUR CUSTOMER

Our Passion for Providing an Enlightening Beauty Experience

As Asia's leading cosmetics retailer, it is our priority to ensure that every care is taken to deliver the most enlightening experience to our customers. Our vision places great emphasis on recognising the desires of our customer; matching them with the best beauty solutions from around the globe, undertaking relevant assurance measures, and ultimately delivering solutions with excellent service.



Recognising Customers' Desires – Listening from Our Heart

We believe beauty is unique to each and every individual customer in the way that their various senses interact with the physical world, and to that extent, how they define and pursue beauty. To ensure our offerings meet and exceed every customer's needs, much effort has been devoted to providing multiple channels for customers to provide their honest feedback. These include:

- Regular frontline debriefs on customer feedback;
- Usage of external big data and business intelligence to analyse customers' needs and trends;
- Street surveys;
- VIP survey and analysis;
- Customer feedback form and hotline; and
- Social media such as Facebook, WeChat, Instagram, and Weibo.



Global Beauty Solutions – Commitment to Continuous Exploration

We recognise that different customers require different solutions, and desire only the best solutions appropriate to them. We see it as part of our duty to identify the best solutions, through our continuous explorations around the world, and we stock a total of more than 700 brands.

9%

Europe (Ex France/Switzerland)

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

27%

Japan/Korea

banila.co BEYOND BRTCOTAB
 肌の子 CYBER COLORS Dr.G
 Dr.Jart+ sasatinnie soo Beauté
 Kate Kiss Me Canmake
 SNP Skin79

22%

France

Institut Esthederm JAGUAR FRAGRANCES
 PRINCESSE MARINA DE BOURBON PARIS
 Clarins L'Oreal Rene Furterer NUXE PARIS

7%

Asia (Ex Japan/Korea)

b.liv Neogence 紐粉 For Beloved One

18%

America

Elizabeth Arden GoodSkin Labs GUESS PERRY ELLIS FRAGRANCES
 Maybelline Revlon

15%

Switzerland

La Colline SUISSSE PROGRAMME Methode SWISS BEAUTY CARE
 SWISS BALANCE SWISS Rituel La Estephe
 TRANSVITAL Skincode

1%

Australia/New Zealand

NATIO SPRINGFIELDS THE BEAUTY OF NATURE
 In Essence Lanocreme

1%

Other



Notes:

- Figures in percentages indicate the breakdown of origin of brands sold in Hong Kong and Macau in FY2015/16. Figures may not add up to 100% due to rounding;
- Brands displayed in each region/country are not exhaustive; and
- Origin of brands is based on general customers' perception of the origin of the respective brands, which may be subject to various factors including location of manufacturer's or brand owner's headquarters, brand image and style of product design.





OUR CUSTOMER

The Beauty Assurance – Customers' Interest at Our Heart

Product safety and quality is fundamental to what we offer our customers.

Beauty of Safety: Product Selection

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

As part of our drive to provide diverse beauty solutions to our customers, we currently house over 17,000 SKUs in our stores. During this financial year, 11 products (all under one brand) were recalled by the manufacturer due to health and safety concerns which we facilitated, representing 0.07% of all SKUs that we sell. To minimise customer inconvenience, we accepted returns even without receipt being presented. We treat all product health and safety issues in a prudent manner, with senior management being involved in all reported cases to ensure that the most appropriate action is taken to protect the consumer's interest.

Beauty of Quality: From Selection, To Delivery

As the product shipments arrive in our warehouses from around the world, comprehensive checks and tests are conducted to ensure that only authentic and quality products with reasonable periods to expiry are offered to our customers. This stringent quality control system is followed through with digital tracking of majority of our stock as part of our integrated SAP management system. We are also committed to ensuring that only products with at least six months of validity stay on the shelves (except for food and pharmaceutical products, which due to their nature require a shorter product life). This gives our customers peace of mind and a strong feeling of quality assurance when shopping with us.

As part of our commitment towards protecting the intellectual property ("IP") rights of others, we have incorporated clauses in most of our contracts with suppliers to ensure they own the relevant IP rights, and do not infringe the rights of others.

Beauty in Mind: From Delivery to After Service

To ensure our customers are ultimately satisfied with their purchases, Sa Sa's operations in Hong Kong and Macau are voluntarily committed to a 30 days purchase guarantee, thereby ensuring that our customers are 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 all incidents are attended to diligently, on a timely basis and resolved reasonably. We believe that the safety and satisfaction of our customers should not be compromised under any circumstances.

In our Hong Kong and Macau operations, a total of 160 customer complaints were reported over this financial year.

A series of steps have been taken this year towards accrediting various strategic elements of our operations with the ISO9001:2008 standard (See our Enterprise Risk Management Report for details), with our online operations and our logistics centre having already been accredited. 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 that the customer information we receive is only used for its intended purpose. We also fully comply with the Trade Descriptions Ordinance ("TDO"), through policies and processes that bring our own internal marketing practices in line.



Providing Customers with Diverse and Enlightening Experiences – Our Passion for Real Solutions

“Service from our heart” is the key philosophy that Sa Sa holds in regard to how we serve our customers. Recognising that customer experience extends way beyond our product offering, we strive to continuously explore solutions that will truly enlighten our customers at our touch-points.

The New Era of Beauty Experience

A number of exciting initiatives were launched this year that truly express our “Asia’s leading cosmetic retailer” aspirations

Expanding payment touch-points: To provide additional convenience to consumers throughout their shopping experience, we accepted three new payment channels this year in our retail outlets: Ali Pay, WeChat Pay and Apple Pay. Our position as the first global retail partner of Tencent’s new offline WeChat-based cross-border payment service, TenPay, clearly demonstrates our commitment to enhance our customers’ experience with products and initiatives that are the most timely and relevant.

O2O Business: With the aim of broadening the customer offering in our physical stores, our Online-To-Offline (“O2O”) business made significant progress this year through the opening of our first O2O Store in the Qianhai free-trade zone, Shenzhen. The store offers our customers two transaction options in one physical location: the traditional “grab, pay and go” model; and the new age model of the “try and buy cheaper online” option. The O2O model enables the leverage of Sa Sa’s experience in traditional retailing whilst providing customers with the benefits of a wider range of product offerings as well as lower tax rates in China for imported goods bought from cross-border e-Commerce stores.

Sa Sa Boutique: In line with customer lifestyles that are increasingly impulsive and fast paced, a new shop concept was launched in October 2015 named “Sa Sa Boutique”. The store aims to target those of our customers who demand a more vibrant and “grab and go” beauty experience.

Continuous Improvement of Our Beauty Experience

Some of the modules that we have developed to strengthen our customer shopping experience include:

Mystery shopper: We have recently modified the assessment methodology and vendor, to enable us to better identify any service gaps that exist in serving the evolving needs of our customers.

Shop KPI: This is part of the KPI of all shops with the Target Management Sustaining System score at their core, providing complaint numbers as well as compliment numbers.

Competing against industry benchmarks: Regular participation of our staff in initiatives measuring against industry benchmarks such as the HKRMA Service Awards enables continuous staff improvement.



OUR COMMUNITY

The Beauty of Impacting the Ones that We Care

Hong Kong's Gross Domestic Product per capita was the 10th highest in the world in 2015 according to the International Monetary Fund. However, despite a significant commitment by the government, the Hong Kong poverty rate still stands at 13.2%, and more than one in eight people live on less than HK\$3,500 per month, according to the 2014 Hong Kong Poverty Situation Report. Many other social challenges also persist in Hong Kong in regard to the elderly, to young people, to health and disability issues etc. As part of our "Making Life Beautiful" journey, we feel that it is part of our responsibility to help both the fortunate and less fortunate to live as beautiful a life as they can.

Caring from the Heart of Sa Sa

To enable a more systematic and structured approach to serving the diverse needs of the community, we have set up two main vehicles to send our love outwards into society:

Sa Sa Making Life Beautiful Charity Fund (the "Fund")

Launched in March 2013, the Fund was set up with the vision of helping our community to realise their inner harmony and true beauty by delivering the "Making Life Beautiful" philosophy from the heart. The Fund is currently fully funded by Sa Sa retail operations, and serves as a platform to provide financial support to impactful initiatives.



Donations

HK\$4.7
million

"Sa Sa Sincere" Volunteering Team

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

The formal volunteer register, which was launched in 2013, enables us to regularly track and send our appreciation to the ambassadors who deliver our "Making Life Beautiful" message to society.



Volunteering hours:

1,149
man hours



The Beauty of Giving Hope and Care through Volunteering and Engaging

A variety of volunteering activities were organised during the year to empower our colleagues to be our beauty ambassadors, bringing beauty of all kinds to society.



We Walk

Taking steps for the society

Walk for a million 2016 (January 2016)

Over 35 colleagues has taken part in supporting the walk this year. The walk started at Hong Kong Stadium and ends at Aberdeen, with the purpose to raise fund for "Family and Child Welfare Services" of Community Chest.



Po Leung Kuk ("PLK") Chinese New Year Charity Walk 2016 (February 2016)

Sa Sa kick started the Chinese New Year with the PLK Charity Walk, with the aim to fundraise for its education and social service. Over 30 colleagues took part in the walk, with the participation of Sa Sa Chairman and Vice Chairman.



We Fundraise

Contribution by real action

PLK Dress Special Day 2015 (May 2015)

A fundraising event where participants are rewarded for "dressing casual" with a donation of HK\$50 or more to support the social work of PLK.



PLK Flag Sale Day 2015 (July 2015)

Funds raised contributed to funding all PLK major social services.



Sa Sa x Wing Lai Yuen Mooncake charity sale (August 2015)

To celebrate Mid-Autumn Festival with love, Sa Sa dedicated itself to the charity sale of mooncakes with funds raised being donated to Heifer international.



Hong Kong Girls Guides Flag Day (December 2015)

Money raised from the flag sale will fund various training programmes for young females, helping them to raise their skills, self-esteem and social value.



OUR COMMUNITY

We Run

The beauty of finding solution for poverty and cancer

Race with pink heels (November 2015)

Organised by Hong Kong Hereditary Breast Cancer Family Registry, the race aimed to raise funds to promote knowledge and raise awareness of hereditary breast, ovarian and prostate cancers caused by BRCA gene mutation and to provide relevant support to patients. Sa Sa was honoured to be one of the Prestigious Sponsors, and sent teams to participate in the corporate fun race.



Race to Feed 2015 (October 2015)

A fundraising event held by Heifer Hong Kong, the Race To Feed aims to offer support to poor farmers in rural China and to help them become more self-reliant. As Sa Sa is the event Village Sponsor, Sa Sa also sent a team to participate in the race, which came 5th of all the corporate teams.



We Inspire

Transforming youth for a better tomorrow

"Beauty of Our Future" – Empowering youth to live their dream

The "Beauty of Our Future" partnership between PLK and the Fund reached its final stage this year, with the aim of empowering underprivileged youth to live their dream. Focusing on the core programme philosophy of using ones life to affect the lives of others(以生命影響生命), we were able to deliver two engagement programmes that brought the project to a beautiful conclusion.

"Walk by me" Mentorship program – Bringing dreams to growth



With Sa Sa colleagues acting as mentors, we paired up with young people to build a "dream island" art- work together. The exercise provided a platform for young people to share their dreams of the future, outlining what's important in their dreams and reflecting on memories of the past.



"Beauty graduation show" - Bringing dreams to reality

Having worked with young people for over 18 months in city explorations, workshops and mentorships, we were able to bring the programme to a beautiful conclusion with a theatre sports challenge, in which young people articulated the concept of beauty in their very own words. Approximately 80 students from 6 primary schools took part in the festival, and many of our colleagues volunteered their time to help with make-up, rehearsals and final staging.



Leadership in the Community

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

Dr KWOK Siu Ming Simon,
BBS, JP

Chairman and Chief Executive Officer of the Company

The Community Chest of Hong Kong

Vice Patron (2015-16)
Campaign Committee Co-Chairman (2007-11, 2015-16)

Hong Kong Youth and Professional Network

Honorary Advisor (2015-17)

Dr KWOK LAW Kwai Chun Eleanor,
BBS

Vice-Chairman of the Company
Chairman of Sa Sa Making Life Beautiful Charity Fund

Po Leung Kuk

Chairman (2016) of Board of Directors

Hong Kong Girl Guides Association

Vice-president (2012-16)

Our Director of Corporate Strategy and Development, Ms Melody KWOK-CHAN, was invited to represent the cosmetic retailing industry as one of the six "Angels of Love" in the charity programme "愛在黑暗中找美", joining six female amblyopic patients of diverse backgrounds to participate in cheongsam photos. The group also brought their encouraging stories to RTHK's Putonghua channel, eventually publishing them and raising funds for the Hong Kong Federation of the Blind, thereby promoting an inclusive society as well as traditional Chinese culture.

With its innovative and meaningful concept, the programme received a "義想心開" volunteering proposal award in the 6th Hong Kong Outstanding Corporate Citizenship Awards organised by the Hong Kong Productivity Council.



OUR COMMUNITY

Beauty from the Gift of Donations and Volunteering

We were also fortunate to be able to provide financial and in-kind support to various non-governmental organisations. Through the Fund and the work of Sa Sa Cosmetic Company Limited, we are proud to have donated a total of HK\$4.71 million to outside organisations.



PLK "Gala Spectacular" charity concert 2015



The Hong Kong Girl Guides Association - Appreciate Hong Kong - Serving Hong Kong Campaign

Youth and Education



The Dragon Foundation

Sponsored the charity gala premiere cum cocktail party. Provided support through actions.



The Hub Hong Kong

Supported the charity fundraising night, promoting the physical and mental development of children.



The Hong Kong Management Association

Sponsored the operation of management games. Enabled teenagers to develop solid management skills and experiences.



Playwright Children's Play Association

Supported the discovery of children's potential through games, driving their future development.

Social Welfare and Social Harmony



Po Leung Kuk

Provided comprehensive support to people in need (including children, teenagers and the elderly), and sponsored a variety of celebrations including the major annual event - a Gala Spectacular.



The Community Chest of Hong Kong

Actively sponsored the Community Chest Sports Day, Hang Seng Table Tennis Charity Challenge, and the major event - Community for the Chest, subscribing to the belief that "one gift works many wonders".



HEIFER International - Hong Kong

Sponsored the fundraising dinner and Heifer Race to Feed 2015, in which Sa Sa's 1K x 5 Relay Run team achieved excellent results. Encouraged the public to support poverty alleviation work in remote mainland areas.



Charity Dinner HEIFER International 2015



Hong Kong and Kowloon Walk for Millions 2016

Women in Society



The Hong Kong Girl Guides Association

Sponsored a variety of activities (e.g. annual communal meal and fundraising dinner), and Ms Melody KWOK-CHAN was promoted to honorary vice-president. Actively enabled women of different age groups to fully deploy their talents.



Hong Kong Federation of Women

Sponsored the "66th National Anniversary Celebration cum 70th Anniversary of Victory in the War of Resistance against Japan Commemoration Concert" and various make up courses, supporting women's rights.



Junior Chamber International City Lady

Sponsored the advertisements, Professional Elite Ladies Selection Presentation Ceremony and the publication of Lady's Link. Participated in the Hong Kong Professional Elite Ladies Selection 2015, supporting social services and fostering the younger generation.

Sports, Culture and Religion



Hong Kong Pegasus FC Limited

Sponsored the Hong Kong Pegasus FC Limited to promote football culture.



Riding for the Disabled Association Ltd.

Sponsored the annual dinner, and supported disabled children and adults to unleash their greatest potential through house riding.



South China Athletic Association

Sponsored the Family Sports Day, and supported the promotion of sports, helping to maintain the nation's health.



Cash donation or sponsorship



Gift of products



Volunteering and staff involvement



HKE_x ESG REPORTING GUIDE CHECKLIST

Aspects. General Disclosure and KPIs	Description	Compliance Level	Reference	Sa Sa Corporate Website
Aspect A1: Emissions				
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and green house gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Partially Reported	P.72-74	Environmental, Social and Corporate Governance Policy Statement, Section – Our Environment
KPI A1.1	Types of emissions and respective emissions data	Partially Reported	P.74, 80-81	
KPI A1.2	Greenhouse gas emission in total and where appropriate intensity	Fully Reported	P.74, 80-81	
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	Not Reported	N/A	
KPI A1.4	Total non-hazardous waste produced and intensity	Partially Reported	P.74, 80-81	
KPI A1.5	Description of measures to mitigate emissions and results achieved	Partially Reported	P.74, 80-81	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Partially Reported	P.74, 80-81	
Aspect A2: Use of Resources				
General Disclosure	Policies on efficient use of resources including energy, water and other raw materials	Partially Reported	P.72-74	Environmental, Social and Corporate Governance Policy Statement, Section – Our Environment
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	Fully Reported	P.74, 80-81	
KPI A2.2	Water consumption in total and intensity	Fully Reported	P.74, 80-81	
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Fully Reported	P.74, 80-81	
KPI A2.4	Description of whether there is any issue in sourcing water, water efficiency initiatives and results achieved	Not Reported	N/A	
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced	Partially Reported	P.74, 80-81	
Aspect A3: The Environment and Natural Resources				
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	Fully Reported	P.72-74	Environmental, Social and Corporate Governance Policy Statement, Section – Our Environment
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	Partially Reported	P.74, 76, 80-81	
Aspect B1: Employment				
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Partially Reported	P.60-62, 69-70	Remuneration Policy for Directors and Senior Management, Nomination Policy, Board Diversity Policy, Equal Opportunities Policy, Section – Our Talents
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Fully Reported	P.60-61	
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Not Reported	N/A	
Aspect B2: Health and Safety				
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Partially Reported	P.71	
KPI B2.1	Number and rate of work-related fatalities	Fully Reported	P.71	
KPI B2.2	Lost days due to work injury	Fully Reported	P.71	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Partially Reported	P.71	



Aspects. General Disclosure and KPIs	Description	Compliance Level	Reference	Sa Sa Corporate Website
Aspect B3: Development and Training				
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties and work, description of training activities	Partially Reported	P.60, 62-66, 69-70	Section – Our Talents
KPI B3.1	The percentage of employees trained by gender and employee category	Not Reported	N/A	
KPI B3.2	The average training hours completed per employee by gender and employee category	Partially Reported	P.62-63	
Aspect B4: Labour Standards				
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and force labour	Partially Reported	P.71	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Partially Reported	P.71	
KPI B4.2	Description of steps taken to eliminate child and forced labour practices	Partially Reported	P.71	
Aspect B5: Supply Chain Management				
General Disclosure	Policies on managing environmental and social risks of the supply chain	Partially Reported	P.82, 84	
KPI B5.1	Number of suppliers by geographical region	Not Reported	N/A	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Partially Reported	P.74, 83-84	
Aspect B6: Product Responsibility				
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Partially Reported	P.82, 84	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Fully Reported	P.84	
KPI B6.2	Number of products and service related complaints received and how they are dealt with	Partially Reported	P.84	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Partially Reported	P.84	
KPI B6.4	Description of quality assurance process and recall procedures	Fully Reported	P.84	
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Partially Reported	P.84	Privacy Policy
Aspect B7: Anti-corruption				
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Fully Reported	P.62	Guidelines on Prevention of Bribery Ordinance, Conflict of Interest Policy, Gifts Entertainment Policy
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Fully Reported	P.62	
KPI B7.2	Description of preventive measures and whistle blowing procedures, how they are implemented and monitored	Fully Reported	P.62	Whistleblowing Policy
Aspect B8: Community Investment				
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities takes into consideration communities' interests	Fully Reported	P.86	Environmental, Social and Corporate Governance Policy Statement, Section – Our Community
KPI B8.1	Focus area of contribution	Fully Reported	P.86-91	
KPI B8.2	Resources contributed to the focus area	Fully Reported	P.86, 90-91	



INVESTOR

Relations Report

Effective and Two-way Communications

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

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

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

Shareholders' Communication Policy

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



Communication Platforms

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



INVESTOR Relations Report

Investor Relations Activities

The Company is highly supportive to investor relations function, our Executive Directors, Vice President of Corporate Communications and Investor Relations and designated representatives interact regularly with the market in a variety of ways in order to facilitate a two-way communication between the Company, Shareholders and the investment community. The Company upholds the principal of Non-Selective Disclosure for price-sensitive information. Historical financial information, operational data, corporate strategies, industry update and the outlook of the Company are available to the public via the Company's website and the HKEx's website. The Company communicates with the investment community and shareholders based on largely 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.
- Introduced the voluntary second quarter announcement in October 2015.

Retail Investors

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

Communication with Sell-side Analysts

The Group has also maintained continuous dialogues with many sell-side analysts of securities research institutions, of which 25 have already covered our company. During the year, a total of over 140 research reports covering Sa Sa has been published by securities firms in Hong Kong market.



Annual General Meeting 2015



FY2015/16 Interim Results Analyst Presentation

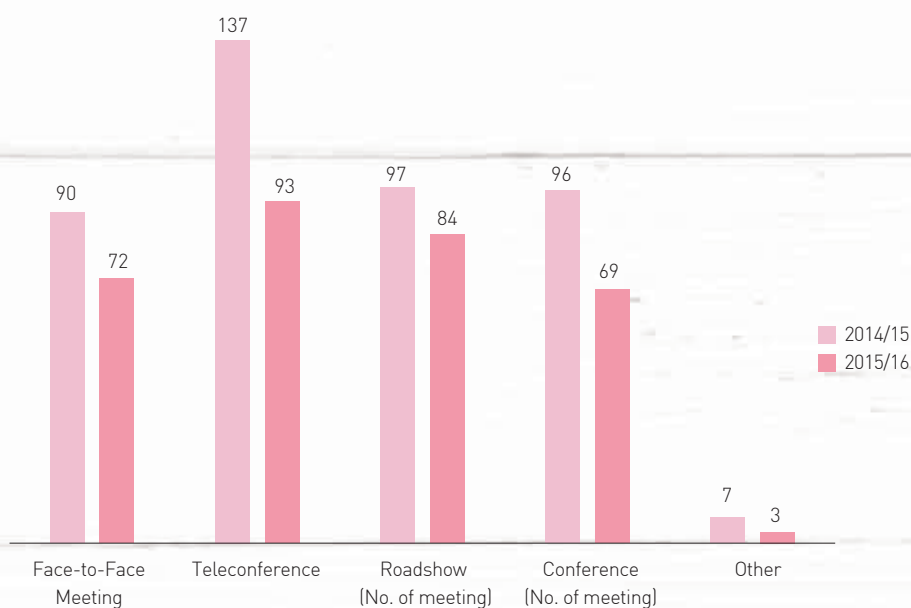
Frequent Contacts with Investment Community



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

Investor Relations Activities Analysis

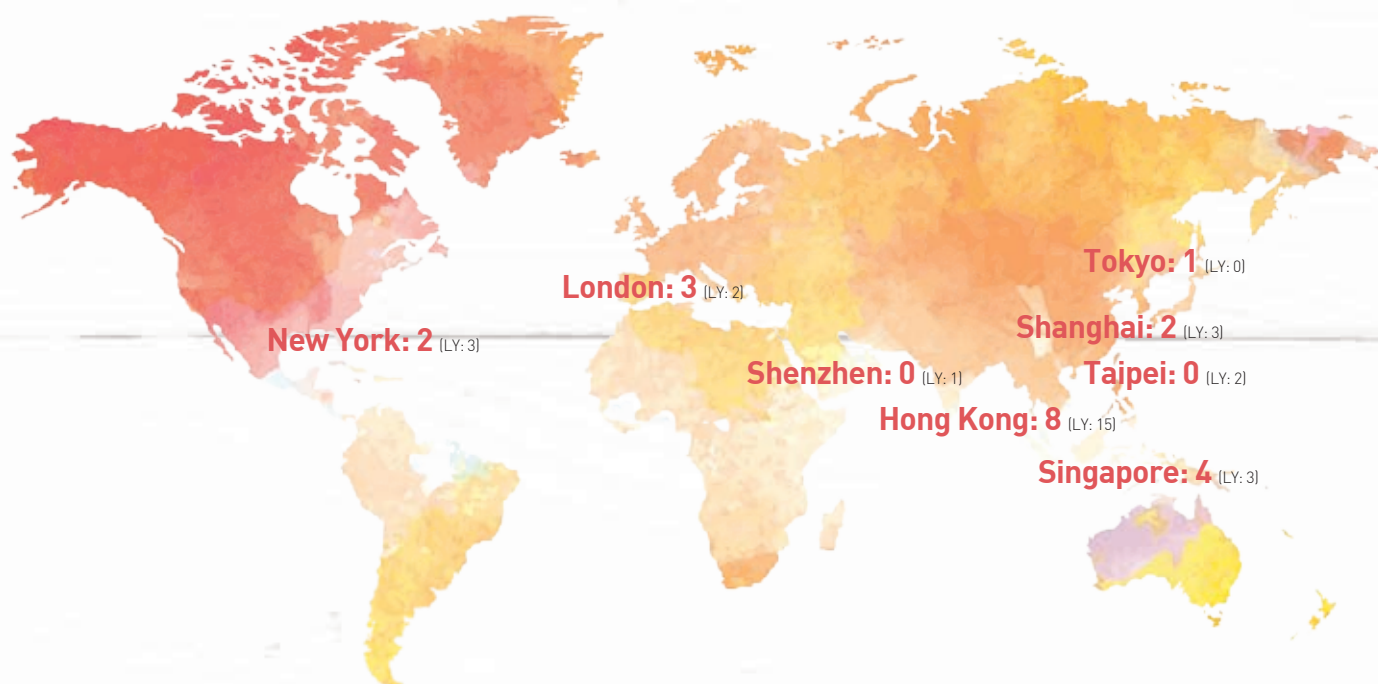
No. of Event by Type



INVESTOR Relations Report

Roadshow and Conference

FY2015/16 Event	Organiser	Location	
Q1	Post-results non-deal roadshow	CLSA	Europe (London)
	Greater China Forum	J.P. Morgan	Europe (London)
	Consumer & Gaming Conference	Daiwa	Hong Kong
	Pulse of Asia Conference	DBS Vickers	Hong Kong
	Panel discussion on shifting retail landscape in Hong Kong	Deutsche Bank	Hong Kong
	Greater China Conference	Macquarie	Hong Kong
	Post-results non-deal roadshow	Bank of America Merrill Lynch	Singapore
	Vanity Capital Conference	Bank of America Merrill Lynch	Singapore
	Annual China Conference	HSBC	China (Shanghai)
	Post-results non-deal roadshow	Deutsche Bank	Hong Kong
Q2	Post-results non-deal roadshow	DBS Vickers	Singapore
	Post-results non-deal roadshow	CLSA	United States (New York)
	Pan-Asia Retail Corporate Day	Daiwa	Hong Kong
	Asia CEO-CFO Conference	J.P. Morgan	United States (New York)
	Consumer & Gaming Conference	Barclays	Hong Kong
Q3	Post-results non-deal roadshow	Deutsche Bank	Hong Kong
	Post-results non-deal roadshow	DBS Vickers	Singapore
	Post-results non-deal roadshow	CLSA	Europe (London)
Q4	Greater China Conference	UBS	China (Shanghai)
	Investment Conference	Daiwa	Japan (Tokyo)



Note: Number in bold type: Number of conference and post-results non-deal roadshow participated for FY2015/16.

Number in brackets: Number of conference and post-results non-deal roadshow participated for FY2014/15.



Communication Initiatives for The Shanghai-Hong Kong Stock Connect Programme

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

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

During the year, in order to arrange targeted investor activities for our existing and potential shareholders, we have been closely monitoring the shareholding and geographical distribution of our Mainland Chinese private investors. According to the Central Clearing and Settlement System (CCASS) operated by Hong Kong Securities Clearing Company Limited, 0.41% of the Company's total issued capital was held by the Mainland Chinese investors through China Securities Depositor and Clearing Limited as of 31 March 2016.

Shareholders' Meetings

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

The last shareholders' meeting was the AGM held at 3rd Floor, Gold Mark Plaza, 502 Hennessy Road, Causeway Bay, Hong Kong on 19 August 2015, 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 17 July 2015. All proposed ordinary resolutions were passed by way of poll votings at the AGM.

The 2016 AGM will be held at 3rd Floor, Gold Mark Plaza, 502 Hennessy Road, Causeway Bay, Hong Kong, on 30 August 2016 (Tuesday) at 12 noon.

Shareholders' Rights

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

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

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

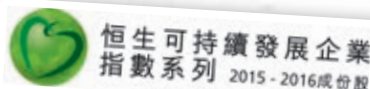
INVESTOR Relations Report

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.

Hang Seng Corporate Sustainability Benchmark Index

- 2015 – 2016 constituent member



The 2nd HKIRA Investor Relations Awards Small-Cap Category

- Best IR Company
- Best IR by Chairman/CEO (Dr Simon Kwok, Chairman and Chief Executive Officer)
- Best IR by CFO (Dr Guy Look, CFO and Executive Director)
- Best IR Presentation Collaterals



IR Magazine Investor Perception Study Asia 2015/16

- 7th in Greater China Ranking
- 14th in All-Asia Ranking
- Best in Sector – Consumer Discretionary
- Top four in Grand Prix for Best Overall Investor Relations (Small or Mid-cap)
- Top four in Best Investor Relations by a Hong Kong Company



Institutional Investor Magazine – All-Asia Executive Team 2015

- 32nd in Asia's Most Honored Companies
- 9th in the Best Companies by Country
- Best Investor Relations (Consumer Sector) – nominated by the Sell-Side
- Best CFO (Consumer Sector) – nominated by the Sell-Side (Dr Guy Look)
- 2nd Best Investor Relations Professional (Consumer Sector) – nominated by the Sell-Side (Ms Tiffany Cheung, Vice President of Corporate Communications and Investor Relations)



Corporate Governance Asia Magazine the 6th Asian Excellence Recognition Awards 2016

- Best Investor Relations Company – Hong Kong
- Asia's Best CFO – Investor Relations (Dr Guy Look)
- Best Investor Relations Officer – Hong Kong (Ms Tiffany Cheung)



Hong Kong Management Association Best Annual Reports Awards 2015

- Citation for Corporate Governance Disclosure



Mercomm, Inc. – International ARC Awards 2015 (The Group's 2013/14 Annual Report)

- Gold Award in the category of Retail (Specialty Stores) – Cover Photo/Design
- Gold Award in the category of International Retail – Cover Photo/Design
- Silver Award in the category of Retail (Specialty Stores) – Interior Design
- Bronze Award in the category of International Retail – Printing and Production



Mercomm, Inc. – Galaxy Awards 2015 (The Group's 2014/15 Annual Report)



- Bronze Award in the category of Annual Reports – Print (Retail – Cosmetics)

For details of the full list of recognitions, please refer to the "Awards and Recognitions" section on pages 12 to 19 of this Annual Report.

Your support makes it happen
We will keep up the good work
THANK YOU

INVESTOR Relations Report

Shareholding Structure

According to the Company's share registrar, Sa Sa had 1,602 registered shareholders as at 31 March 2016. This number does not include individual Shareholders and corporations that have an indirect interest through intermediaries including custodians and nominees, investment funds and the Central Clearing and Settlement System (CCASS) operated by Hong Kong Securities Clearing Company Limited, and therefore, the Company's actual number of Shareholders would be larger.

Our largest beneficial shareholders are Dr KWOK Siu Ming Simon, Chairman and CEO, and Dr KWOK LAW Kwai Chun Eleanor, Vice-chairman, both Executive Directors of the Company, who have a combined shareholding of 64.72%*. The 35.28% 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.

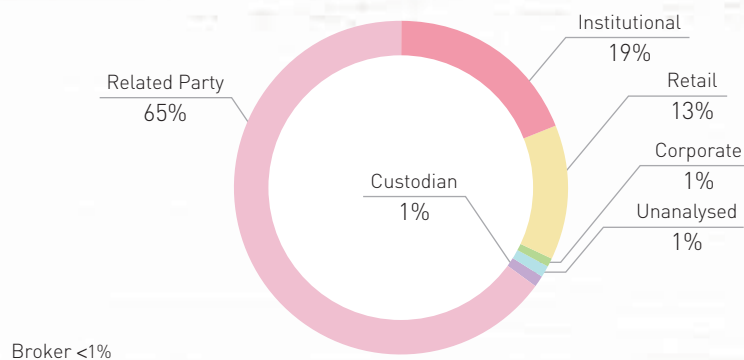
* Please refer to pages 141 to 155 in the "Report of the Directors" of this Annual Report for details of the Directors' and Chief Executive's shareholding interests.

During the year, the Company engaged NASDAQ OMX Group, Inc. to conduct "Shareholder Identification" which was able to analyse shares of the Company as at 31 March 2016, representing 99.2% of the total issued capital.

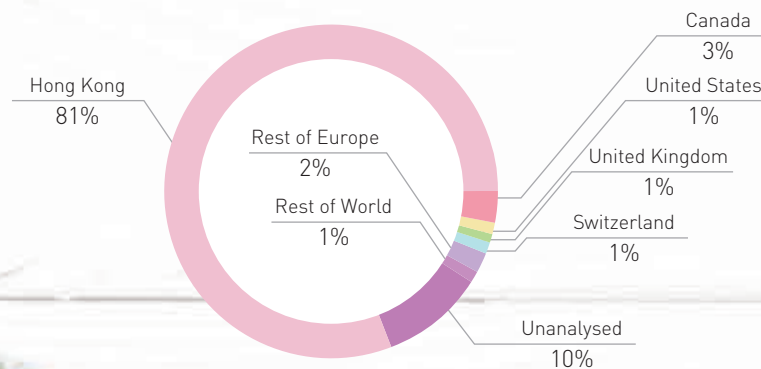
According to NASDAQ OMX's report, the Group's institutional shareholder base was composed of firms spanning across 20 countries, and accounted for 19.2% of the Company's total issued capital as at 31 March 2016, while the low turnover orientation# accounted for 79.0% of the total institutional shareholders.

Average holding period exceeds 24 months.

Total Shareholder Composition



Total Shares by Geography



Shareholders Information

Financial Calendar

FY 2015/16 interim results announcement	24 November 2015
Closure of register of members	9-10 December 2015 (both days inclusive)
Payment of 2015/16 interim and special interim dividends	16 January 2016
FY 2015/16 annual results announcement	23 June 2016
For determining shareholders' eligibility to attend and vote at AGM	
Closure of register of members	29-30 August 2016 (both days inclusive)
Record Date for eligibility to attend and vote at AGM	30 August 2016
Annual General Meeting	30 August 2016
For determining entitlement to the final and special final dividends (if payable)	
Closure of register of members	5-6 September 2016 (both days inclusive)
Record Date	6 September 2016
Proposed payment Date of FY2015/16 final and special final dividends (if payable)	On or around 17 October 2016
FY 2016/17 interim results announcement	Mid to late November 2016

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 2016	2,892,131,561
Public float as at 31 March 2016	Approximately 35.1%

INVESTOR Relations Report

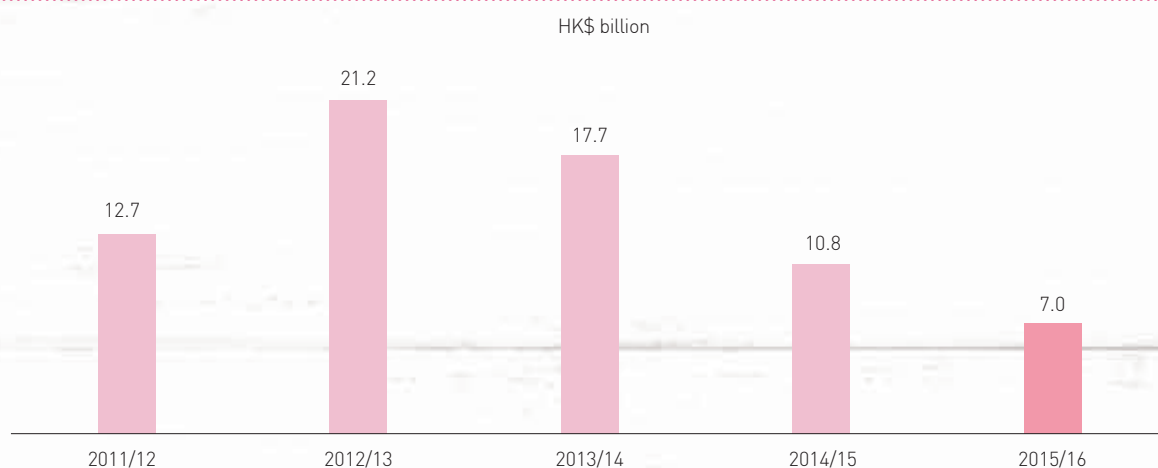
Share Performance

FY2015/16

FY2014/15

Closing price as at 31 March	HK\$2.41 per share	HK\$3.79 per share
Highest price during the fiscal year	HK\$4.65 per share	HK\$6.93 per share
Lowest price during the fiscal year	HK\$2.04 per share	HK\$3.70 per share
Average daily trading volume	4.4 million shares	6.3 million shares
Average daily trading amount	HK\$15.2 million	HK\$34.4 million

Market Capitalisation



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

Dividend History

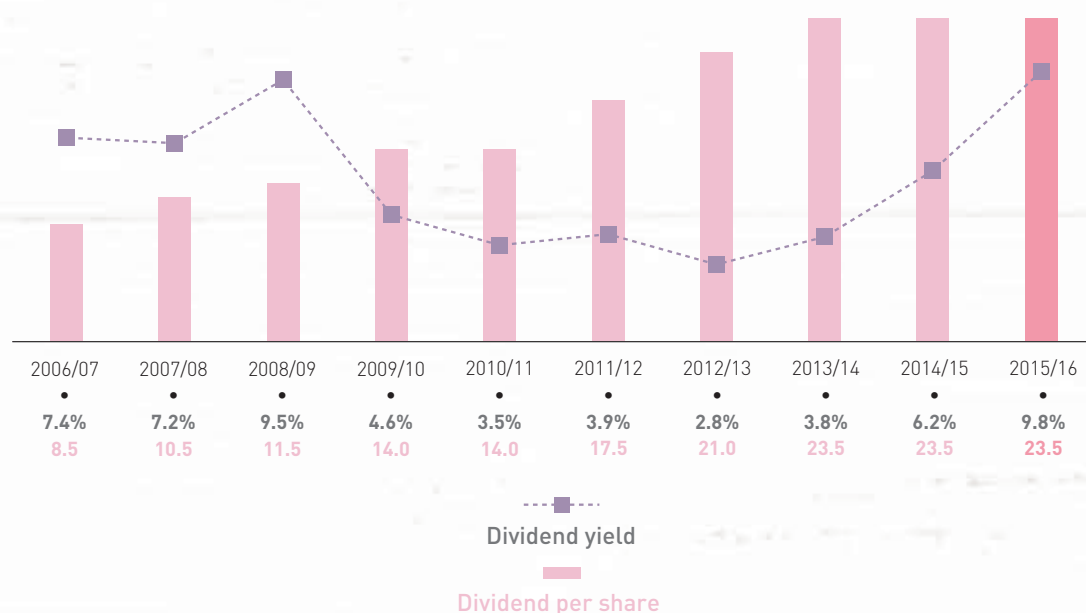
Depending on the Group's cash flow, earning capacity, development plans, and the final decision of the Board, and in the absence of special circumstances, the Group will strive to maintain a consistently high dividend policy.

Dividend Per Share (HK Cents)

Financial Year	Basic		Special		Total	Dividend Yield (%)	Dividend Payout Ratio
	Interim	Final	Interim	Final			
2015/16	5.00	9.00	4.00	5.50	23.50*	9.8	176.1%
2014/15	5.00	9.00	4.00	5.50	23.50	6.2	79.7%
2013/14	4.50	9.00	4.50	5.50	23.50	3.8	71.4%
2012/13	2.50	5.00	4.50	9.00	21.00	2.8	71.9%
2011/12	2.00	3.50	4.00	8.00	17.50	3.9	71.4%

* During the year, the annual and interim basic and special dividends are payable in cash, with a scrip dividend alternative. To facilitate shareholders' reinvestment of their dividends into the Company's shares, the Board has resolved to offer a 5% discount on the subscription price for eligible shareholders who elect to receive the dividends in scrip.

Dividend Per Share and Dividend Yield



- Note: 1. Dividend yield is calculated based on the share price of the Company as at 31 March of the respective years.
 2. Figures from 2006/07 to 2009/10 have been adjusted for the 1:1 Bonus Issue.

Investor Relations Enquiries and Communications

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

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

Shareholders Service and Enquiries

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

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

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



CORPORATE

Governance Report



“We are committed to maintaining the highest standards of corporate governance.

Our corporate governance focus is on the development of a robust corporate governance structure, and rigorous internal control and risk management, so that we can effectively provide the best returns to our shareholders and balance the interests of all our other stakeholders. We strive to provide meaningful disclosure and regular communication with shareholders and investors.”

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



Corporate Governance at Sa Sa

▶▶ Clear division of responsibilities between the Board, Board committees and management

▶▶ Clearly established procedures and process

▶▶ Active participation by directors in regular board meetings

▶▶ Highly independent and diversified Board with multiple perspectives and a balanced mixed of skills and experience

▶▶ Our Board of Directors views corporate governance as more than just compliance

Sa Sa
making life beautiful

CORPORATE Governance Report

Highlights in Corporate Governance Practices for 2015/16

Below are the highlights of our continued initiatives in the development of our corporate governance practices during the year ended 31 March 2016:

Board Evaluation

We conducted our first ever Board evaluation during the year. The evaluation is a valuable feedback mechanism for the further and continuous development of the Board, which is key to the success of our governance structure.

Data Privacy

In addition to the regular briefings given to new-joiners, a compliance training workshop was organised in February 2016 to assist staff members to better understand the laws and regulations governing personal data. A comprehensive compliance manual complete with practical examples, illustrations, case studies and compliance checklists was also developed to facilitate better compliance in this area.

Competition Law

With the assistance of an external law firm, we completed a compliance programme covering training, compliance audit and presentation of the review report to the Board of Directors before the implementation of the Competition Ordinance in Hong Kong in December 2015. All recommendations given in the review report have been fully implemented.

Regular training and education

We continued to brief new-joiners and management trainees on corporate governance and environmental social governance with a view to nurturing good governance behaviour beginning from the day our colleagues join Sa Sa.

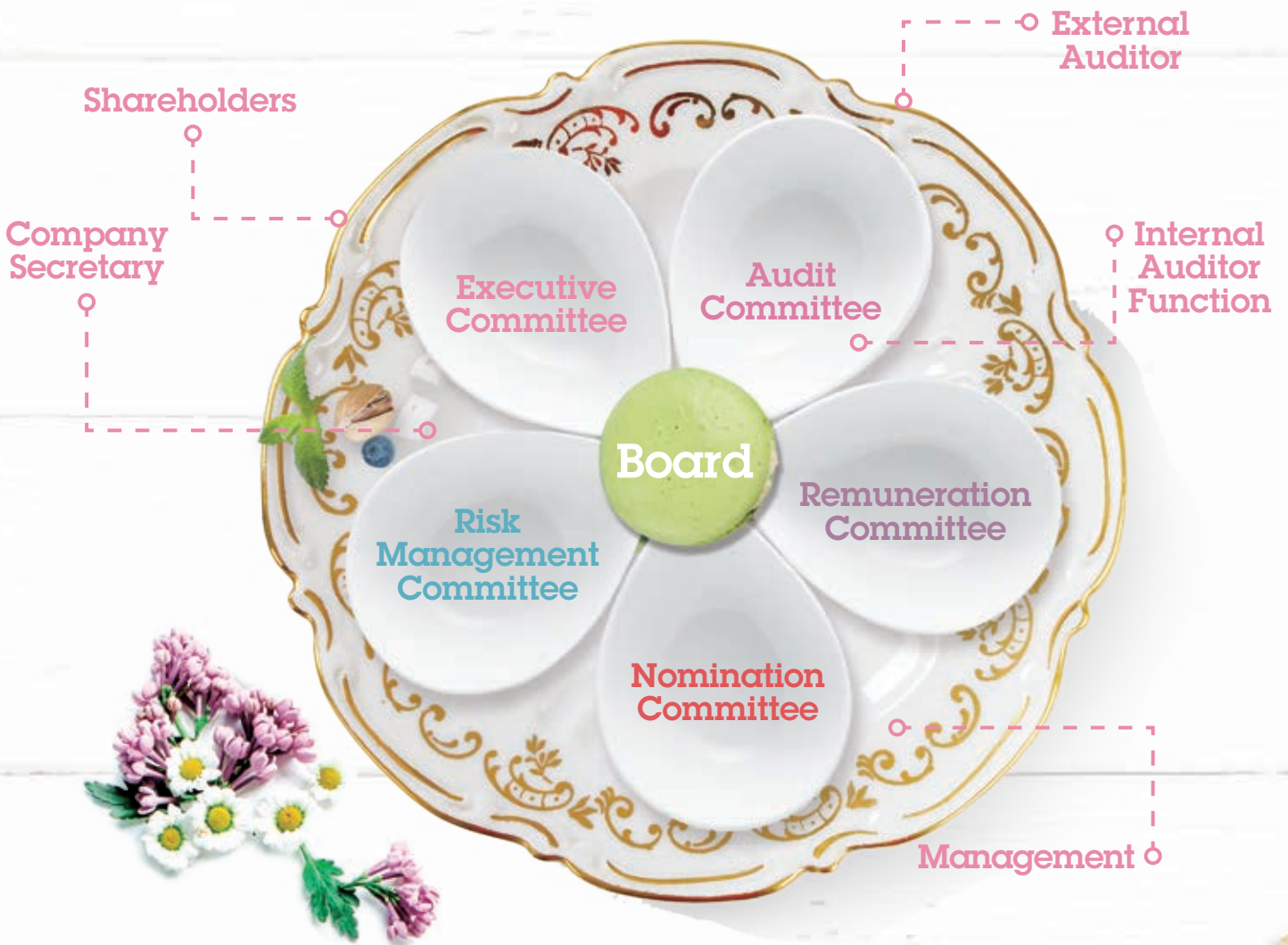
Directors' continuous developments

In addition to external training and seminars, two in-house trainings were provided to the directors during the year.

Our Recognition

- "Citation for Corporate Governance Disclosure" in the Best Annual Reports Awards Competition organised by The Hong Kong Management Association in 2013, 2014 and 2015
- Constituent of the Hang Seng Corporate Sustainability Benchmark Index since 2011

Our Corporate Governance Structure



CORPORATE Governance Report

Compliance with the Corporate Governance Code (CG Code)

The CG Code is the standard against which we measure ourselves. Throughout the year ended 31 March 2016, we complied with all but one of the code provisions in the CG Code, but we also exceeded the CG Code in the following aspects:

- ✓ A Board evaluation was conducted during the year.
- ✓ Over half of our Board members are independent non-executive directors.
- ✓ Two of our independent non-executive directors have professional qualifications or accounting or related financial management expertise.
- ✓ We have formal criteria for the nomination and re-appointment of directors.
- ✓ All members of our Audit Committee are independent non-executive directors.
- ✓ The Audit Committee held two private meetings with the external auditor without the presence of any of our executive and non-executive directors during the year.
- ✓ We held six regular Board meetings during the year.
- ✓ In addition to the Audit Committee, Nomination Committee and Remuneration Committee, we have established an Executive Committee and a Risk Management Committee, each with specific written terms of reference setting out clearly the individual committee's duties and authorities.
- ✓ We have included a separate Environmental, Social and Governance Report, and an Enterprise Risk Management Report in our annual report.
- ✓ We voluntarily announced our unaudited operational information for all four quarters of the financial year as well as the sales performance of our retail business in Hong Kong and Macau during the Chinese New Year, Labour Day Holiday and the National Day Golden Week Holiday.
- ✓ Among other policies, we have a Whistleblowing Policy for employees, an Inside Information Policy, a Gifts and Entertainment Policy, and Guidelines on Prevention of Bribery Ordinance, all of which are published on our corporate website.
- ✓ We give more than 20 clear business days notice for our annual general meetings.

In respect of the one deviation from the CG Code, the roles of the chairman and chief executive officer are currently held by the same individual, namely, Dr KWOK Siu Ming Simon. The division of responsibilities between the two roles are, however, clearly established and set out in writing in the respective terms of reference for the chairman and the chief executive officer. Due to the high level of independence of our Board, we believe sufficient checks and balances are in place despite the roles of the chairman and chief executive officer being in one person. Dr Kwok, being one of the founders of the Group, has superior knowledge of our business and is a veteran in the retail industry. The Board is therefore of





the view that vesting the roles of chairman and chief executive officer in the same person facilitates the execution of the Group's business strategies and maximises the effectiveness of our operations. We will, nevertheless, periodically review the Board's structure going forward in light of the evolving needs of the Group and consider segregation of the two roles if and when appropriate.

Composition of the Board and Board Committees




Board

 Dr KWOK Siu Ming Simon (Chairman and chief executive officer)	 Professor CHAN Yuk Shee
 Dr KWOK LAW Kwai Chun Eleanor (Vice-chairman)	 Dr LEUNG Kwok Fai Thomas
 Dr LOOK Guy (Chief financial officer)	 Ms TAM Wai Chu Maria
	 Ms KI Man Fung Leonie
	 Mr TAN Wee Seng
	 Ms LEE Yun Chun Marie-Christine





Audit Committee

 Professor CHAN Yuk Shee (Chairman)
 Dr LEUNG Kwok Fai Thomas
 Ms TAM Wai Chu Maria
 Ms KI Man Fung Leonie




Nomination Committee

 Ms TAM Wai Chu Maria (Chairman)
 Dr KWOK LAW Kwai Chun Eleanor
 Dr LEUNG Kwok Fai Thomas




Remuneration Committee

 Dr LEUNG Kwok Fai Thomas (Chairman)
 Dr KWOK LAW Kwai Chun Eleanor
 Ms TAM Wai Chu Maria
 Ms KI Man Fung Leonie

Executive Committee

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

Risk Management Committee

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

Note:

  Male    Female

 Executive Director (ED)

 Non-executive Director (NED)

 Independent non-executive Director (INED)

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

The biographical details of each of our directors, including the relationship between the Board members, are set out on pages 48 to 55 of this annual report. An updated list of our directors identifying their respective roles and functions together with their biographical details, is displayed on the Exchange's website and our corporate website.

CORPORATE Governance Report

Independence

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

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



Board Diversity

We believe that in an increasingly complex and fast changing business environment, diversity in the Board helps foster different perspectives and a varied Board composition means that the Board would be more alert to different opportunities and risks. A strategy that aims at Board diversity leads to a greater knowledge base, and more creativity and innovation within the Board. This helps us to better understand the varied needs of our customers, which in turn results in a further multiplicity of customers, a richer and more extensive customer base and more opportunities to grow.

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

We have a high percentage of women sitting on our Board. Our female directors represent around 44% of our Board members.

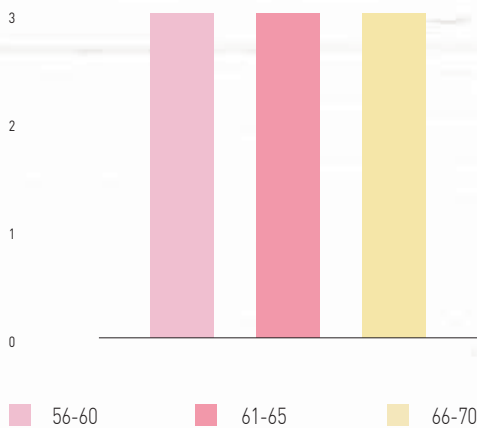
In addition to the appointment of women as directors, our current Board consists of members from a diverse background with a balance of skills and experience to oversee the business of the Group. They include persons with a wealth of practical experience in the retail industry, legal profession, accountancy profession, marketing, management, human resources and the financial industry. Over half of our directors have either obtained a PhD or a doctorate degree or have been conferred an Honorary Doctorate degree. We have directors who are not of Chinese nationality, and also directors with in-depth knowledge of China, a market on which we place great emphasis.

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

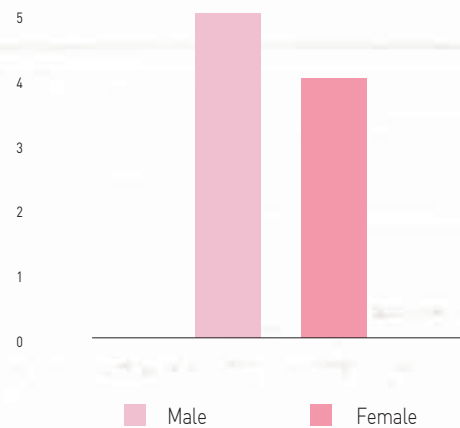
We will continue to review our Board's composition and diversity regularly to ensure that we have the right balance as we move forward. However, Board appointments will continue to be made on the basis of merit and the potential contributions that selected candidates will offer to the Board.

Areas of Diversity

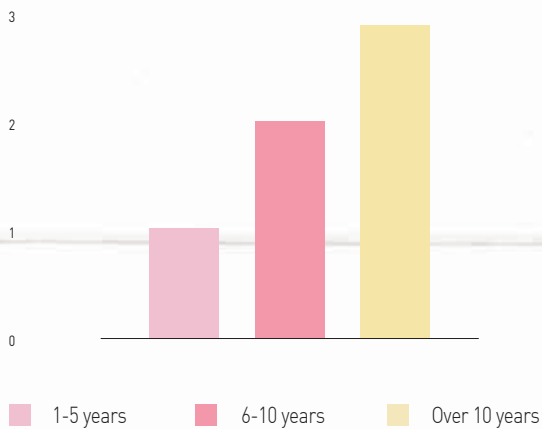
Age Group



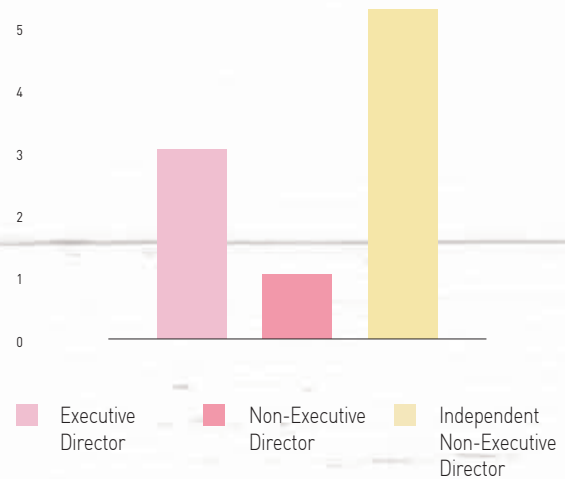
Gender



Length of Services of Non-executive directors



Designation



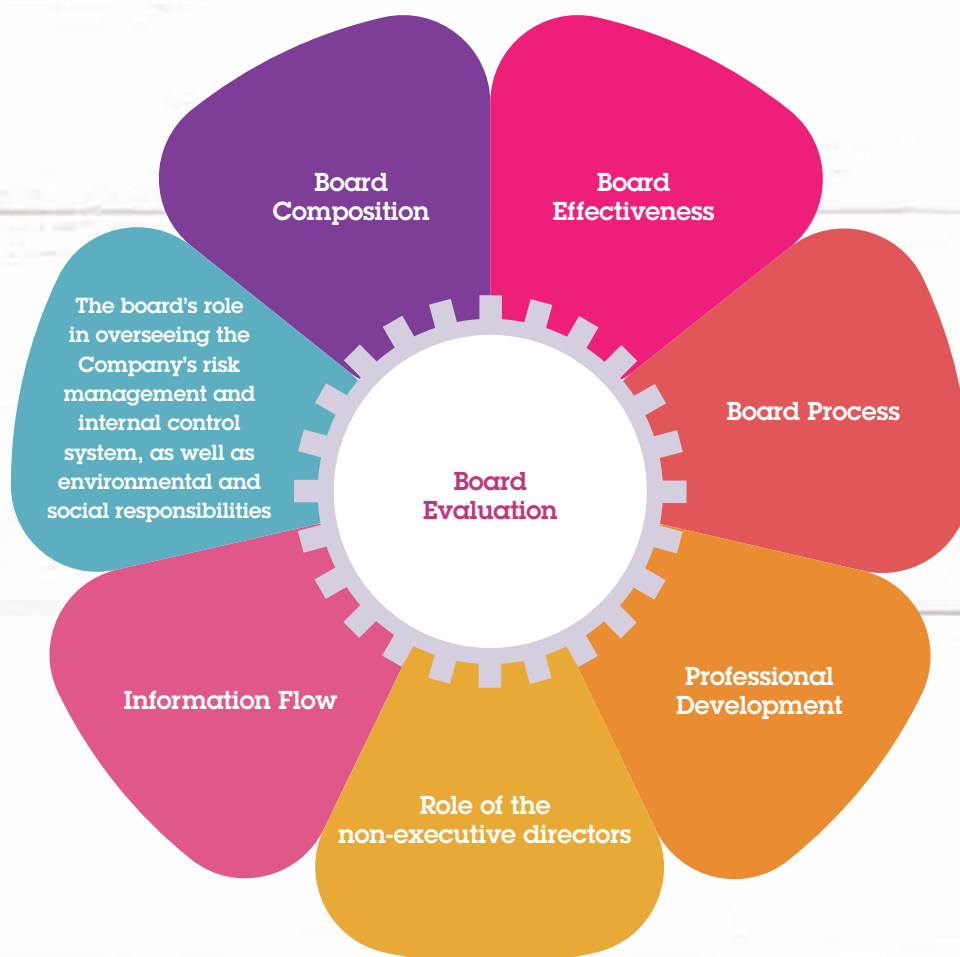
Key Areas of Expertise

- Accounting and Finance
- Retail
- Sales & Marketing
- Human Resources/Administration/Management
- Legal Profession

CORPORATE Governance Report

Board Evaluation

A board evaluation was conducted during the year by way of a questionnaire. The areas that it covered included board composition, board effectiveness, board process, professional development, information flow, the role of the non-executive directors, and the board's role in overseeing the Company's risk management and internal control system, as well as environmental and social responsibilities.



Appointment and Re-election of Directors

All our non-executive directors (including INEDs) are appointed for a term of three years and are required to offer themselves for re-election at the first AGM following their appointment. Under the articles of association of the Company, at least one-third of the Directors are subject to retirement by rotation at the AGM at least once every three years. Retiring Directors are eligible for re-election at the AGM at which he or she retires.

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

In December 2015, the Board renewed the appointment of Ms KI Man Fung Leonie as an independent non-executive director for a further term of three years.

At the AGM to be held on 30 August 2016, Dr KWOK LAW Kwai Chun Eleanor, Dr LOOK Guy and Ms TAM Wai Chu Maria will retire from office by rotation and, being eligible, will offer themselves for re-election as directors. The re-election of Ms TAM Wai Chu Maria will be subject to a separate resolution to be approved by the Shareholders since she has served as our INED for more than nine years. Further details will be set out in the circular to be dispatched to the Shareholders with the notice of the AGM.



Clear Division of Responsibilities

Between Chairman and Chief Executive Officer

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

- ✓ Provides leadership to the Board to enable it to discharge its function effectively.
- ✓ Ensures that the Board and Management are committed to the maintenance of good corporate governance practices and procedures.
- ✓ With the assistance of the Company Secretary, the Chairman:
 - Draws up the agenda for each Board meeting;
 - Ensures that all directors are properly briefed on issues arising at the board meetings and on all key and appropriate issues in a timely manner;
 - Encourages all directors to make an active contribution to the Board's affairs and takes the lead in ensuring that the Board acts in the best interests of the Company;
 - Encourages directors with different views to voice their concerns, and allows sufficient time for discussion of issues on which the Board can deliberate and reach decisions;
 - Ensures that all directors receive, in a timely manner, meeting materials including supporting analysis and presentation materials; and
 - Promotes a culture of openness and debate, and actively encourages directors with different views to voice their opinions and be fully engaged in the Board's affairs.

Chairman

CEO

- ✓ Provides leadership to the management.
- ✓ Ensures effective implementation of the strategies and objectives agreed by the Board.
- ✓ Offers accountability and reports to the Board.
- ✓ Operates the day-to-day management and business of the Group.
- ✓ Meets with the management regularly to discuss and develop strategic operating plans that reflect the objectives of the Board and that maintain operational performance.
- ✓ With the support and assistance of the management, provides the Board with high quality information and recommendations to enable informed decisions to be made.

making life beautiful



CORPORATE Governance Report

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

Executive Directors

Our Executive Directors comprise the Chairman/CEO, Vice-chairman and CFO, which form the Executive Committee. The role and responsibilities of and details of work done by the Executive Committee are set out on pages 123 to 124.

Non-Executive Directors (including INEDs)

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

The Board and the Management

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

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

Their respective responsibilities are clearly established and set out in the Terms of Reference for the Board and the management, which is available on our website.

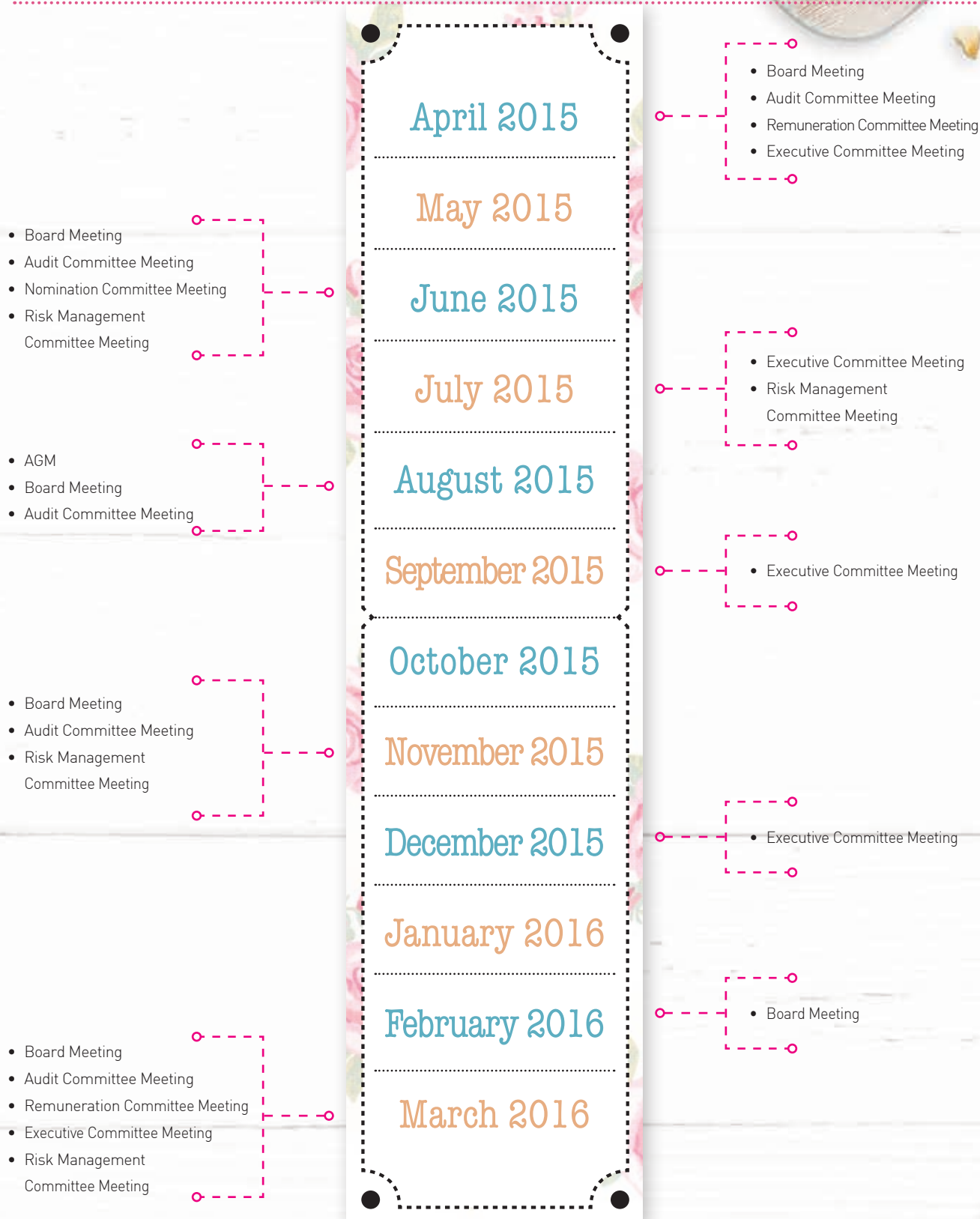
Monthly updates were provided by management to the Board every month to enable Board members to discharge their duties.

Members of our management are frequently invited to attend Board meetings to report and engage in discussion with the Board in respect of strategy, budget planning, progress and performance updates to ensure that the Board has a general understanding of the Group's business and to enable them to make informed decisions for the benefit of the Group. They are required to answer any questions or challenges posed by the Board.

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

The departmental heads also met with the Executive Committees on a weekly basis to enhance and strengthen cross-departmental communications and coordination.

Board Calendar for the year ended 31 March 2016



CORPORATE Governance Report

Work done by the Board in the year ended 31 March 2016:

- ✓ Formulated business development strategies and approved the budget for the financial year.
- ✓ Discussed and considered recommendations made by Board Committees.
- ✓ Reviewed, discussed and considered the Group's affairs, including strategic plans, financial affairs, progress and updates of business performance and budget summary/proposals (with the presence of management from time to time).
- ✓ Considered the proposals of payment of final dividends for the year ended 31 March 2015.
- ✓ Approved the annual results and annual report for the year ended 31 March 2015 including the annual results announcement.
- ✓ Approved the re-appointments of Ms KI Man Fung Leonie as INED upon the recommendation of the Nomination Committee.
- ✓ Considered the financial results for the third quarter ended 31 December 2014, first quarter ended 30 June 2015, and third quarter ended 31 December 2015.
- ✓ Approved the revised Nomination Policy.
- ✓ Approved the interim results' announcement and interim report for the year ended 30 September 2015
- ✓ Approved the proposal of an interim dividend and special interim dividend for the six months ended 30 September 2015.
- ✓ Reviewed the effectiveness of corporate governance practices, internal control and risk management.
- ✓ Received updates on analysts' feedback and legal and regulatory issues.
- ✓ Took part in the Board evaluation and considered its findings.



Delegation by the Board

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

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

Regular Board Committee meetings were held during the financial year and the number of meetings and attendance of individual committee members are set out on page 125. Throughout the year, the Board Chairman and Board Vice-chairman also attended the Board Committee meetings at the invitation of the Board Committees.

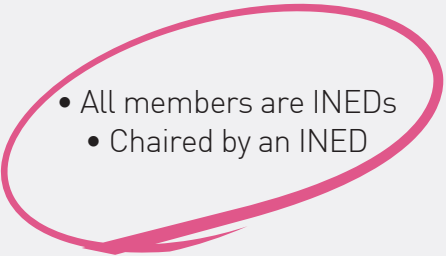
All Board Committees are provided with sufficient resources to discharge their duties and are empowered to obtain independent legal or other professional advice at the Company's expense in appropriate circumstances.

Audit Committee



Committee Members:

Professor CHAN Yuk Shee* (Chairman)
Dr LEUNG Kwok Fai Thomas
Ms TAM Wai Chu Maria
Ms KI Man Fung Leonie

- 
- All members are INEDs
 - Chaired by an INED

* Professor CHAN Yuk Shee possesses the appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The principle functions and duties of the Audit Committee include reviewing and monitoring the Group's relationship with the external auditors and the auditors' independence; monitoring the integrity of the Group's financial information and reviewing significant reporting judgments contained in it; overseeing the Group's financial reporting and reviewing the effectiveness of internal control and risk management procedures; considering major investigation findings on internal control matters and management's response to these findings; and the audit process.

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

CORPORATE Governance Report

Work done by the Audit Committee in the year ended 31 March 2016:

- ✓ Reviewed and recommended the re-appointment of the external auditor, taking into account its independence.
- ✓ Approved terms of engagement (including the remuneration) of the external auditor and audit service plan.
- ✓ Reviewed the semi-annual summary of audit and non-audit services provided by the external auditor for the year ended 31 March 2015 and the six months ended 30 September 2015.
- ✓ Obtained explanation from the external auditors as to the causes of changes from the previous accounting period and the effects of the application of new accounting policies.
- ✓ Reviewed the results announcement and annual report for the year ended 31 March 2015 and made recommendations to the Board.
- ✓ Reviewed and considered the proposal of payment of final dividends for the year ended 31 March 2015 and the interim dividend proposal for the six months ended 30 September 2015 and made recommendations to the Board.
- ✓ Reviewed and discussed the financial results of the Group for the third quarter ended 31 December 2014, year ended 31 March 2015 and the third quarter ended 31 December 2015.
- ✓ Reviewed and discussed the interim results for the six months ended 30 September 2015, including the interim results announcement and interim report, and made recommendations to the Board.
- ✓ Assessed and evaluated the effectiveness of the Group's risk management procedures and internal control system.
- ✓ Reviewed and discussed the 2015/16 internal control review projects conducted by the Internal Audit function, including:
 - internal audit progress;
 - significant internal audit findings and follow-up implementation status on prior audit findings;
 - shop/counter visits progress and results;
 - ERM progress results;
 - annual internal audit plan;
 - annual review of internal audit function and staff resources for financial reporting functions; and
 - major investigation findings on internal controls and management's response to those findings.

Remuneration Committee

Committee Members:

Dr LEUNG Kwok Fai Thomas (Chairman)
Ms TAM Wai Chu Maria
Ms KI Man Fung Leonie
Dr KWOK LAW Kwai Chun Eleanor

- Majority are INEDs
- Chaired by an INED

The principle duties of the Remuneration Committee are to make recommendations to the Board; review and approve remuneration proposals for directors and senior management through consultation with the chairman; and giving due regard to the Company's financial status to ensure the directors and senior management are fairly rewarded.

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

Work done by the Remuneration Committee in the year ended 31 March 2016:

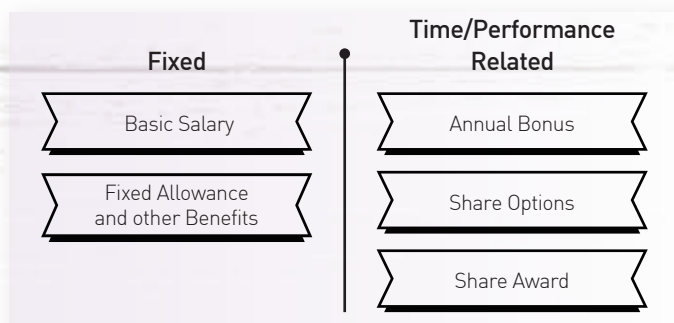
- ✓ Consulted the Board Chairman about remuneration proposals for other executive directors.
- ✓ Reviewed the remuneration surveys conducted by independent external consultants of companies operating in similar businesses and on a similar scale.
- ✓ Reviewed analysis and proposals for the remuneration of directors and senior management provided by the Human Resources Department and management by benchmarking the prevailing market conditions and remuneration packages in the industry to ensure that the remuneration packages offered remain appropriate and competitive.
- ✓ Approved the remuneration package of directors and senior management.

CORPORATE Governance Report

Remuneration of Directors and Senior Management

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

Remuneration of Executive Director and Senior Management



Non-Executive Directors (including INEDs) are compensated with the aim of fairly representing their efforts and the time dedicated to the Board and Board Committee matters with reference being made to the market rate. The recommended remuneration package comprises an annual directorship fee. Details of the remuneration package of our directors and senior management are set out in the Independent Auditor's Report on pages 179 to 182.

Nomination Committee

Committee Members:

Ms TAM Wai Chu Maria (Chairman)
Dr LEUNG Kwok Fai Thomas
Dr KWOK LAW Kwai Chun Eleanor

- Majority are INEDs
- Chaired by an INED

The principle functions and duties of the Nomination Committee are to make recommendations to the Board for potential Board members as well as the appointment and re-appointment of directors; to review the structure, size and composition of the Board; to assess the independence of INEDs; and to determine the policy for nomination of directors.

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

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

Work done by the Nomination Committee in the year ended 31 March 2016:

- ✓ Reviewed the structure, size and composition of the Board.
- ✓ Assessed the independence of INEDs.
- ✓ Discussed the maximum term of office for INEDs.
- ✓ Considered the re-appointment of Ms KI Man Fung Leonie and made recommendations to the Board.
- ✓ Approved the revised Nomination Policy.

Executive Committee



Committee Members:

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

- All EDs

The principle duties of the Executive Committee are to oversee strategic directions and long-term objectives in relation to the business model of the Group, the performance of the management, the internal control system and risk management procedures, as well as the Group's financial performance, corporate governance and compliance.

The Committee proactively communicates with the non-executive directors and the management and is open and responsive to any challenges made by the non-executive directors (including the INEDs). Regular meetings have been held by the Executive Committee and the number of meetings and the attendance of individual Committee members are set out on page 125. Members of the management are invited to attend as and when appropriate.

Board

Executive
Committee

Management

CORPORATE Governance Report

Work done by the Executive Committee in the year ended 31 March 2016:

- ✓ Gave directions on and monitored the Group's performance throughout the year ended 31 March 2016:
 - Store opening and closures;
 - Sales performances;
 - Marketing and promotions;
 - Product development;
 - Branding management;
 - Inventory management;
 - IT strategy;
 - Human resources and training needs and performances;
 - Logistics function performances;
 - E-commerce strategies and performances;
 - Operations outside of Hong Kong; and
 - Latest market developments.
- ✓ Reviewed the Group's results and performance against the market as well as the budget periodically.
- ✓ Reviewed the reasons for under/over performance against the market/budget and developed plans and strategies to adapt to market circumstances.

Risk Management Committee

Committee Members:

Dr KWOK Siu Ming Simon
Dr KWOK LAW Kwai Chun Eleanor
Dr LOOK Guy

- All EDs

The principle duties of the Risk Management Committee are to oversee the risk management activities of the Group, including monitoring the implementation of the Enterprise Risk Management Programme; reviewing and approving the recommendations for engaging external consultants, and assessing and evaluating identified key risks of the Group.

In addition to members of the Risk Management Committee, representatives from the Internal Audit and Management Services Department also attended meetings at the invitation of the Committee. Regular meetings have been held by the Risk Management Committee and the number of meetings and attendance records of individual Committee members are set out on page 125. Please refer to pages 134 to 140 of the Enterprise Risk Management Report for details of this Committee.

Work undertaken by Risk Management Committee in the year ended 31 March 2016:

- ✓ Reviewed and discussed the ERM progress and results for the year ended 31 March 2016 including:
 - Continuous assessment of existing and new risks that the Group faces;
 - Review of risk indicators and assess how risks are measured and managed;
 - Follow-up actions for and measures taken in controlling risks; and
 - Review and assess the risk trends and appropriateness of risk indicators.

Board, Board Committee and Annual General Meeting Attendance

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

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Executive Committee	Risk Management Committee	Annual General Meeting
Executive Directors							
Dr KWOK Siu Ming Simon	6/6	5/5*	2/2*	1/1*	5/5	6/6	1/1
Dr KWOK LAW Kwai Chun Eleanor	6/6	5/5*	2/2	1/1	4/5	5/6	1/1
Dr LOOK Guy	6/6	5/5*			5/5	5/6	1/1
Non-Executive Director							
Ms LEE Yun Chun Marie-Christine	6/6						1/1
Independent Non-Executive Directors							
Professor CHAN Yuk Shee	6/6	5/5					1/1
Dr LEUNG Kwok Fai Thomas	6/6	5/5	2/2	1/1			1/1
Ms TAM Wai Chu Maria	5/6	4/5	1/2	1/1			1/1
Ms KI Man Fung Leonie	6/6	5/5	2/2				1/1
Mr TAN Wee Seng	6/6						1/1
Total number of meetings	6	5	2	1	5	6	1
Average attendance rate of directors ^Δ	98.15%	95.00%	87.50%	100%	93.33%	88.89%	100%

Notes:

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

Those marked with an (*) attended as an invitee only.

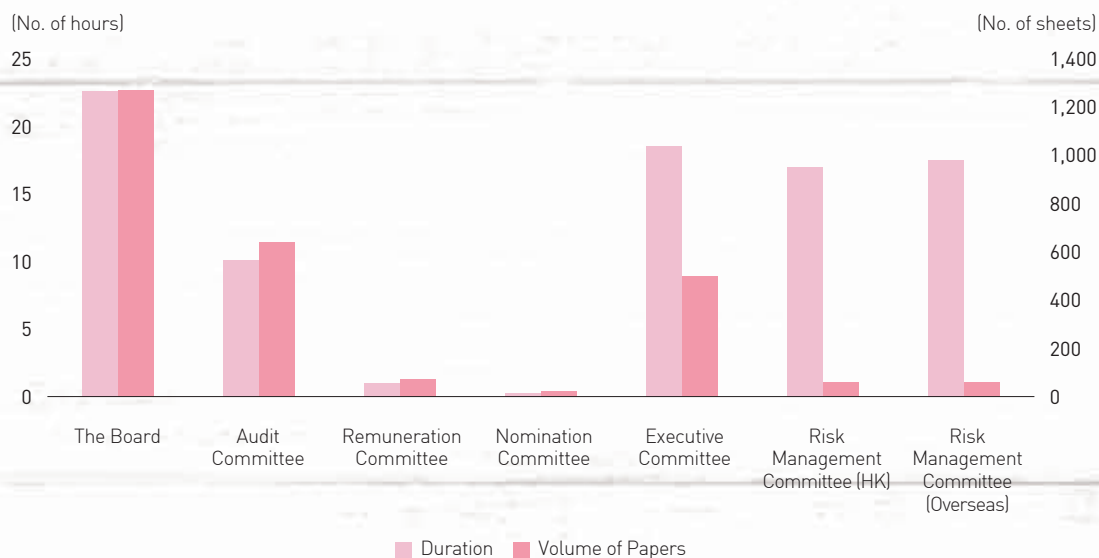
(Δ) average attendance rate is calculated without the invitees.

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

CORPORATE Governance Report

Time Commitment of Directors

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



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

Meeting Process of the Board and Board Committees

The Board and Board Committees meet regularly and the timetables are usually scheduled one year in advance to give directors adequate time to plan their schedules to attend the meetings ahead of time.

The formal notice and agenda of meetings are usually sent to all directors at least 14 days before each meeting and they are consulted and given an opportunity to comment on the agenda. No meetings were called at short notice during the period under review.

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

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



Model Code for Securities Transactions by Directors

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

We have also adopted a policy for certain employees (“Relevant Employees”) who, because of their office in the Company, may from time to time encounter Inside Information (as defined in the Securities and Futures Ordinance (Cap. 571)). We have received confirmations from all Relevant Employees that they complied with the policy throughout the period under review.

Directors’ and Officers’ Insurance

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

Conflicts of Interest

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

CORPORATE Governance Report

Induction and Continuous Professional Development

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




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

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

During the period under review, in addition to regularly updates by email, we arranged two in-house trainings conducted by qualified professionals for the directors at the Company's expense. We also regularly updated the directors on the latest developments in the Company by sending them "Sa Sa quarterly newsletters" and press releases.

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

Types of Continuous Professional Development

	 Attending director's training, seminar or conferences related 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	✓	✓	✓



Other Training and Compliance Programmes

In keeping with best practice, we monitor and review our practices to provide reasonable assurance that we remain aware of and in line with all relevant laws and legal obligations. We keep all directors, management and employees (including our frontline shop operations' managers and supervisors) apprised of the latest updates on new legislative amendments and regulatory guidelines by providing training and presentations as well as preparing appropriate guidelines and policies from time to time. We also conduct training sessions in the form of orientation classes to educate our new employees on various aspects of corporate governance.

We have implemented various corporate governance policies including the Conflict of Interest Policy, Whistleblowing Policy (for employees only), Gifts and Entertainment Policy and Inside Information Policy, which set out the standards of conduct that our employees are required to follow. The policies are reviewed from time to time and updated where necessary and are made available to our employees through our Company's intranet, with some of the policies being published on our website.

A special focus in 2015 was to prepare the Group for the full implementation of the Competition Ordinance (Cap. 619) and its draft Guidelines ("CO"), which became effective on 14 December 2015. We have been closely monitoring developments at the Competition Commission, particularly in regard to any public consultations concerning the Commission Guidelines. As a member of the Hong Kong Retail Management Association, we have attended discussion meetings and participated in the formulation process by communicating our views and preparing submissions to the Competition Commission.

All directors and senior staff were invited to join the training on the topic "Updates on the Personal Data (Privacy) Ordinance" in early 2016.

Communication with Shareholders

The AGM provides the Board with the opportunity to meet and engage directly with our Shareholders. The AGM for the financial year ended 31 March 2016 will be held at 3rd Floor, Gold Mark Plaza, 502 Hennessy Road, Causeway Bay, Hong Kong on Tuesday 30 August 2016. Separate resolutions will be proposed at the meeting on each substantially separate issue and all voting will be conducted by poll. Notice of the AGM together with the circular which sets out the procedures for conducting a poll and each resolution to be proposed at the AGM will be dispatched to the Shareholders on or around 22 July 2016. Shareholders will also be provided with detailed procedures for conducting a poll at the meeting.

For details, please refer to pages 94 to 105 in the "Investor Relations Report" of this Annual Report.

Public Float Capitalisation

From publicly available information and as far as our directors are aware, the Company has maintained a sufficient public float of its share capital in the Hong Kong stock market throughout the financial year ended 31 March 2016 and has continued to maintain such a float as at the date of this report.



CORPORATE Governance Report

Company Secretary

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

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

The Auditor

We engage PwC as our external auditor. We have received a written confirmation from PwC confirming that it is independent and that there are no relationships between PwC and the Company that are likely to impair its independence. The roles and responsibilities of our external auditor are stated in the Independent Auditor's Report on pages 156 to 157.

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

For the year ended 31 March 2016, the Audit fees of the Group amounted to approximately HK\$4,985,000, comprising audit fees of HK\$3,616,000 and non-audit fees of HK\$1,369,000. The non-audit services consisted mainly of tax advisory services, interim review, turnover certificate, transfer pricing analysis and other reporting services. Fees paid to other auditors were approximately HK\$158,000.

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



Risk Management and Internal Controls

The Board is accountable for overseeing the Group's risk management and internal control systems and 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 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, contracts, policies and procedures
- effectiveness of risk management process
- reliability and integrity of financial reporting
- effectiveness and efficiency of operations
- prevention and detection of fraud and irregularities

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.

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 takes direct risk management responsibilities and reports to the Risk Management Committee (RMC) as risk owners.

Details of the ERM System and process are set out in the Enterprise Risk Management Report on pages 134 to 140 of this Annual Report.

CORPORATE Governance Report

Quality Management System

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

During the year ended 31 March 2016, the Group duly received ISO 9001: 2008 certification and passed the surveillance audit for the below departments:

Business Unit	Audit nature	Audit scope	Audit passing date
Sa Sa dot Com Limited	Surveillance audit	Provision of e-commerce services for cosmetic products	May 2015
Logistics	Surveillance audit	Provision of logistic services including warehousing, packaging and local distribution of cosmetics products and its accessory materials	October 2015
Category Management & Product Development, Marketing	ISO9001 certification audit	Category management, products purchasing and promotion for cosmetic, health, personal care products and its accessories	November 2015

The Group is fully committed to quality management and will continue to take steps to attain ISO accreditation for other major business units in the headquarters and create policies and procedures for sales offices by applying ISO standard in order to promote the application of the standard throughout the organisation. In addition to annual surveillance audits performed by external consultant, we also conduct regular internal audits by certified in-house ISO internal auditors to ensure that policies and procedures are always adhered to and updated accordingly when business environment changes.

Internal Audit Function

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

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

To accommodate and better support sustained business growth, the IAMS Department continuously enhances its competency by developing expert teams within the department and by encouraging the team leaders to attend relevant workshops or seminars in order to keep abreast of the latest developments. Regular internal trainings are held to promote knowledge sharing within the IAMS Department.



Internal Audit Activities

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

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

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

The Group recognises that information technology has become more strategically important and is integral to its daily operations and activities. Staying in step with new and disruptive technology is critical to the Group's sustainability and growth and therefore the Group will be paying more attention to technological development and its implications to our strategies. IT risk management is being steadily integrated into the Group's risk management structure and external consultant will be engaged whenever necessary to assess risks on specific areas such as cyber-security.

Review of Risk Management and Internal Control Effectiveness

Through the Audit Committee, the Board has conducted annual review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 March 2016, covering all material financial, operational and compliance controls, and it has considered the Group's risk management and internal control system to be effective and adequate. There were no suspected material irregularities found or significant areas of concern identified during the year that might affect Shareholders.

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

Directors' Acknowledgement

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



ENTERPRISE

Risk Management Report

Effective risk management is fundamental and essential to the achievement of the Group's strategic objectives. In place since 2010, the ERM System 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 their 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 four meetings at Group level to re-assess the top 10 priority risks and the result of the mitigation actions for the year ended 31 March 2016. 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 categorised into strategic, operational, financial and compliance perspectives for further assessment and management. A bottom-up and top-down approach is utilised to ensure a holistic risk management process. The bottom-up approach is supported by cross-functional workshops with line management to identify and prioritise risks while the top-down approach reviews and assesses if risks are comprehensively identified and prioritised, and properly addressed by line management to accomplish the Group's objectives. At the Group level, a Group risk register has been maintained since the inception of the ERM System and has been regularly monitored and updated by taking emerging risks into account for continuous risk assessment purpose and for building the risk-management based internal audit plan.

The Group has in place the Risk Control Self-Assessment (RCSA) programme, 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 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, which also incorporates a red flag mechanism, 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 harmonised, allowing the Group to monitor a comprehensive set of indicators at the same time for better business performance and risk management.



While 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, the balance scorecard key performance indicators are updated and monitored on a monthly basis so that underperformed activities can draw management attention on a timely basis. 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

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

Online Threats and Opportunities

Online threats and opportunities remained as the number one risk and opportunity faced by the Group. The continuous and exponential growth of online activities, including social media, digital marketing and e-commerce reflects and further drives changes in consumer and business behaviour while altering the entire competitive landscape, especially in the PRC.

To address this risk area, the Group will continue to focus on the development of IT and O2O to enhance the shopping experience and drive online business. We have scheduled a newly enhanced mobile app to deploy in July 2016. Further IT resources will be allocated to upgrade the infrastructure for UX optimisation, business conversion effectiveness and operational efficiency. The Group will also leverage on external IT expertise to accelerate the pace of exploration of the e-commerce opportunity. The launch of the O2O concept is underway and the key factors involved in its success are being studied for future development of the model with more O2O shops and further enhancements scheduled for 2017. The Group considers that new channels to generate UVs will be a key driving force to grow the e-commerce business and we will be focusing more marketing and social media efforts on targeted customer acquisition in these channels. The Marketing team will



continue to proactively develop social media platform partnerships and explore joint promotion programme opportunities with payment processors in order to drive traffic and boost sales. The Group is aware that cyber security is crucial to the success and sustainability of our e-commerce business since e-commerce channels are a prime target for hackers and any single major security breach incident may cause operational disruption, loss of sensitive data and regulatory breaches as well as ultimately hurting our brand and image. To address this security threat we have engaged external certified professionals to help assess our resilience to cyber attacks. Improvement plans will be formulated once gaps are found and reassessments will be undertaken to ensure that adequate and sufficient remedial actions are in place.



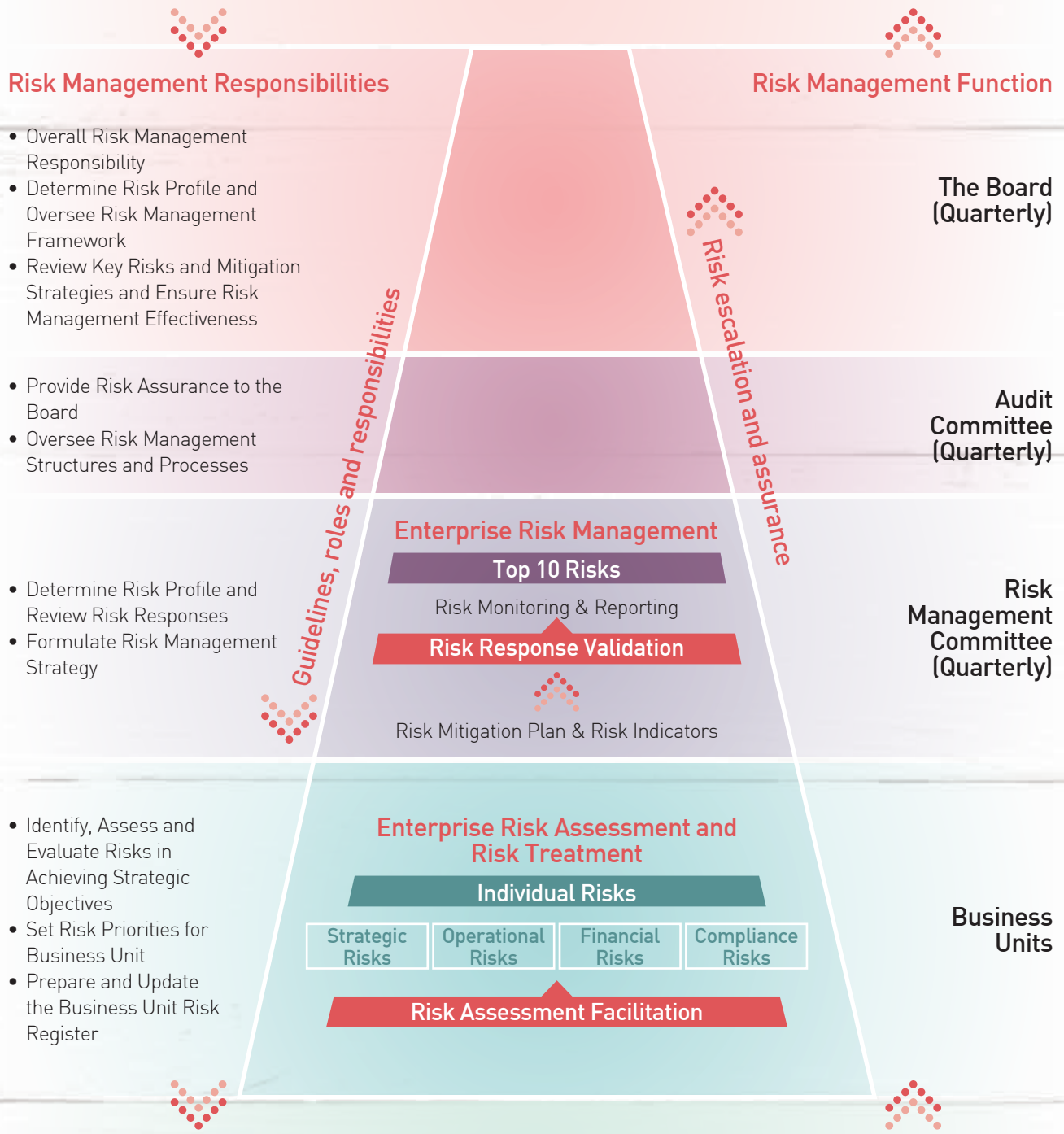
ENTERPRISE Risk Management Report

Risk Governance & Infrastructure

The ERM Framework

Top Down Approach

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



Bottom Up Approach

Cross-functional Workshops Identify and Prioritise Risks



Product Competitiveness

The Group is well known for providing a large variety of products with a wide price range that appeal to broad market segments. This continued success in product competitiveness has been largely built on our ability to source and develop products that meet the demands of the market. However, consumer demand has rapidly shifted towards mid-price or low-price products and in particular, towards fast changing mid- to low-price Korean products. We have been sourcing and offering Korean products for a long time now but the pace of demand more recently has proven to be extremely challenging. The Group will be taking action to address these challenges. Such actions may include, but are not limited to, engaging with some targeted manufacturers to leverage on their product development capabilities, exploiting the advantages of establishing a local sourcing base in Korea and re-engineering our internal product development processes. However, these measures will not succeed without the support of a robust supply chain management system. The Group will continue to upgrade inventory management to shorten the ordering lead-time and to improve forecasting accuracy while adjusting our product offering mix to cater for changing market conditions.



Changes in Government Regulations and Policies

During the year the Group has experienced severe difficulties partly due to unanticipated changes and the tightening of regulations and policies in the different geographical areas where we operate, especially in Hong Kong and the Mainland China market. Mainland Chinese visitors have long been the major revenue contributor to the Group while China cross-border e-commerce has strategically been our focus for further growing our business. However, the replacement of the multiple-entry visa for Shenzhen residents with a one-visit-one-week permit early in the fiscal year, which was originally aimed at easing the problems of Hong Kong's limited visitor receiving capacity and booming parallel trading activities, has unwittingly reduced the number of Mainland Chinese visitors to Hong Kong and impacted the performance of the Group. Meanwhile, the recent release of the widely anticipated Circular of Tax Policies for Cross-border E-commerce Retail Imports (Circular) and its attached Positive Product List has created unexpected uncertainties and difficulties in regard to execution. Although a 1-year transition period was granted officially until 11 May 2017, under which customs clearance certificates are exempted for goods entering the 10 cross-border e-commerce pilot cities, our business may be adversely affected in the future if stricter and more complicated regulations and policies are introduced as cross-border e-commerce business further develops. In addition to difficulties in the Mainland China market, the Malaysian government imposed Goods & Services Tax (GST) in April 2015 that resulted in more cautious spending by local customers and caused a slowdown in our sales performance in Malaysia at the beginning of the year. Working alongside regulatory changes, the Group has set up bonded warehouses, launched a product mix review and a product registration process in order to capture the huge potential in cross-border e-commerce business that is currently not being fully realised.



ENTERPRISE Risk Management Report

Talent Acquisition, Staff Retention and Training

The consistent downward trend and counter-currents in the retail industry have resulted in a diminishing number of new talents entering the field and increased the number of talents moving to other industries. Despite such challenges, the Group has striven to turn adversity into opportunity. We recognise that young people are pillars of our future success and it is essential to attract them to develop their careers within the Group and to support our growth. By proactively collaborating with various government departments and educational institutions, the Group has enhanced our image as a best employer and successfully cultivated "retail seeds" among targeted secondary and post secondary students. In collaboration with the Education Bureau for the Business-School Partnership Program and Vocational Training Council for the Earn & Learn Pilot Scheme for the Retail Industry, valuable opportunities have been provided for students to gain exposure and hands-on experience in the retail industry, equipping them with generic skills for their future career, while also providing the Group with a dedicated and trained workforce. In addition, the Group has made good use of various social media and technology channels to acquire talent and raise our profile with the public.

To cultivate home grown talents for the future management pipeline, the Group has developed a management trainee programme for new university graduates under which each management trainee is given the opportunity to develop a fast track, clear and tailor-made career path. Upon graduation from the comprehensive programme with job rotation throughout the company, graduates can choose to continue their career in store operations, logistics or other core departments. In addition, our sales trainee programme for secondary school graduates has been established to nurture new talents who are interested in developing a career in the retail industry. Systematic training and coaching are provided, enabling young people to prepare for a challenging yet fruitful career in sales and marketing. These programmes attract young people of various levels of attainment who are suited to different jobs and positions.

Work-life balance, active responses to staff opinions and competitive remuneration packages are integral components of an enjoyable and rewarding job. In view of this, the Group has established a Staff Recreation Committee to broaden the scope of leisure activities while also utilising social media to strengthen interactive communications and regularly benchmarking existing employment terms throughout the market. To develop a joyful and family-friendly working environment, during the year a shuttle bus service was launched and a breast-feeding room was designated for working mothers. The Group has organised regular health talks to enrich staff's knowledge of health issues and to raise safety consciousness. We believe that we are not just a work place, but also a place where people unite and act as one, and strive towards one common goal. At the same time, our staff can spend precious time with one another and their families, thereby genuinely experiencing the true benefits of "Joy at Sa Sa".



The Group believes a highly motivated workforce is our most important asset. In line with this, the Group conducts new staff sharing sessions to strengthen bonding relationships and boost the morale of the team. This year, the Pulse-Check Program was conducted by Human Resources colleagues to deliver warm and caring visits to new joiners so that they feel being supported during the integration period. In addition, a mentoring programme has been established in stores to offer guidance and personalised assistance to new joiners during the job integration process and throughout their career progression. The frontline career roadmap has been further refined to provide more vision and flexibility for career development while a succession planning programme has been launched to systematically identify, develop and retain potential leaders in order to build a strong talent pipeline within the Group.



The Group has also launched functional training and development programmes to upgrade staff competence and promote team spirit. During the year, the Training & People Development Department (T&PD) applied for the Recognition of Prior Learning mechanism of the retail sector – “Customer Service” and “Store Operations (Integrated)” -- under the Qualification Framework for our frontline staff. A total of 51 frontline staff have been accredited for the certifications at either level 3 or level 4. These measures were undertaken in addition to videotaped training courses such as local customer service and complaint handling, which have been launched since last year and shared in the Sa Sa Channel by Hong Kong T&PD staff. T&PD launched a video and photo competition in which selected learning points, videos and photos were uploaded to the platform to promote staff learning engagement and experience sharing. In conjunction with traditional instructor-led training courses, which in the case of China and overseas offices are costly to run because of the geographical spread, the Group is aiming to launch an e-learning platform in September 2016 that makes use of electronic media to deliver staff training and development courses. This e-learning platform will consolidate all training materials in one database and allow staff to access all relevant training information and learning by means of a convenient and flexible schedule.

Mainland China Business Growth

While the Group is taking progressive and disciplined steps to grow our market presence in the Mainland China, we are still exposed to infrastructural risks, including weak local management team structure, inexperience and high frontline staff turnover, disrupted supply chains, below-par product management and inadequate systems, all of which have compromised scalability and business growth. In response to these challenges, the Group has implemented a talent management and development programme in order to acquire competent management staff to strengthen the local management foundation. Tailored selling and customer service training sessions, with support from Hong Kong head office, are offered to frontline staff to enhance their capability and to improve personal and store performance. Meanwhile, the newly formed management team is consolidating the store network, closing underperforming stores, rolling out boutique stores, and introducing O2O functions in physical stores. The Group expects these strong enhancement measures will drive stores to operate more efficiently, benefiting from streamlined frontline staff and improving overall profitability.

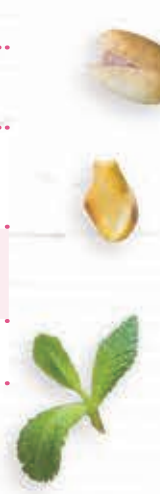
Ethical Business Practice



The Group is committed to enforcing ethical business practices by setting the right tone at the top. However, we recognise that unethical incidents may still happen even when we have a robust internal control system in place. For the year ended 31 March 2016, four incidents were reported through our whistleblowing channel or otherwise identified by IAMS department. Investigations were either conducted independently by the IAMS Department or jointly, as appropriate, with other departments in the Group or with external investigators. The results were reported to the Executive Directors and Audit Committee. In order to enable the Group to evaluate and manage fraud risks with a more systematic and proactive approach, fraud risk assessment is incorporated as an integral part of the Group’s risk management structure to continuously manage and mitigate fraud risks. We believe that by so doing we contribute positively to the Group’s reputation and image and thus reduce the costs of doing business. During the year, the following key activities were undertaken in order to enhance the existing fraud risk management system:

Communication and Training

Participants	Course/Induction/Workshop
Hong Kong Head Office	Anti-corruption and the Prevention of Bribery Ordinance conducted by the Independent Commission Against Corruption
All New Staff	Induction training on key corporate policies, including whistleblowing policy, conflict of interest policy, etc
IAMS Department	Delegates attended four external fraud prevention workshops



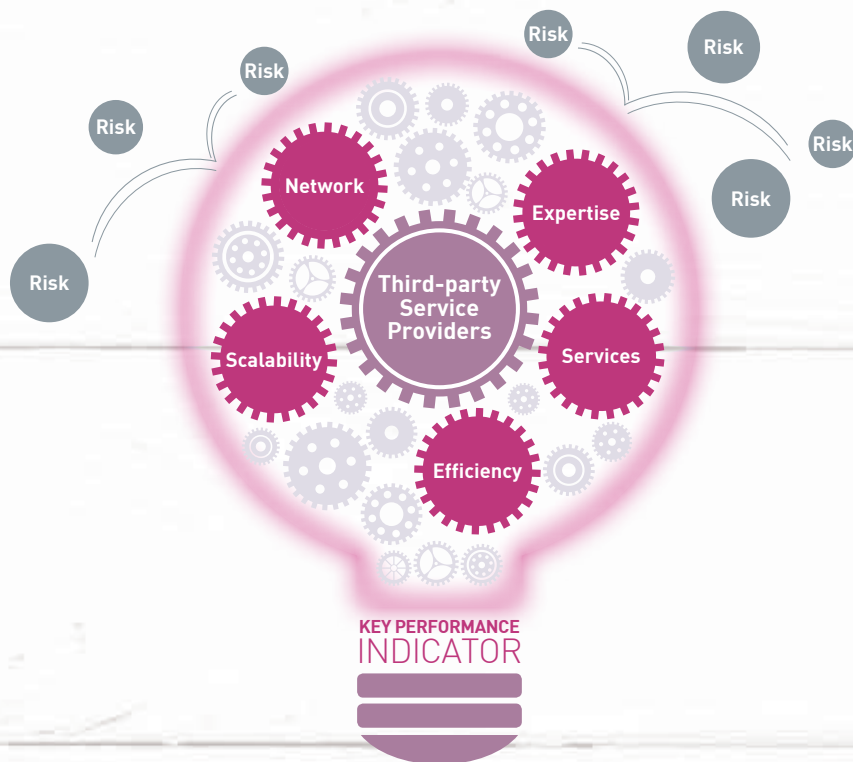
ENTERPRISE Risk Management Report

Assessment and Enforcement

Area	Action
Internal Audit Scope	Fraud risk assessment is embedded in every single audit assignment
Enforcement	Fraudsters are held accountable by enforcing relevant disciplinary actions

Third-party Risks

The Group has been relying on third-party service providers, such as outsourced manufacturers, software vendors, warehousing and logistics service providers, in some aspects of our business with the aim of improving performance by leveraging their specialised expertise, well developed service network, operational efficiency and better scalability. At the same time, we are potentially exposed to risks which may include but are not limited to business disruptions, investigations by authorities leading to monetary losses, and reputational damage as a result of under-performance or non-compliance with local rules and regulations. During the year, the Group did encounter business disruptions due to unexpected poor performance or lapses in the service of some vendors. In order to counter these risks and make our business more secure, the Group will be strengthening oversight of the third-party service providers' sourcing and selection process, setting up comprehensive key performance indexes to closely and continuously monitor their performance, and enhancing internal transparency in regard to emerging risks where the involvement of executives and other functional teams as necessary. Although the Group tries to develop good and long-term relationships with strategic partners, we do terminate service with under-performing vendors, and set up alternative vendor databases 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 2016.

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.

Business Review

A fair review of the Group's business is provided in the Management Discussion & Analysis section on pages 32 to 40 of this Annual Report. Description of the principal risks and uncertainties facing the Group can be found in the Enterprise Risk Management Report on pages 134 to 140. No important event affecting the Group has occurred since the end of the financial year under review. The outlook of the Group's business is discussed in the Management Discussion & Analysis section on pages 41 to 45 of this Annual Report. Certain financial key performance indicators which complement and supplement our financial disclosures are set out on pages 6 to 8. An account of the Company's relationships with its key stakeholders and discussions on the Group's environmental policies and performance, and compliance with relevant laws and regulations are included in the Environmental, Social and Governance Report, Investor Relations Report and Corporate Governance Report.

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

Results and appropriations

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

An interim dividend of 5.0 HK cents (2015: 5.0 HK cents) per share and a special interim dividend of 4.0 HK cents (2015: 4.0 HK cents) per share were paid on 15 January 2016. The Directors recommended the payment of a final dividend of 9.0 HK cents (2015: 9.0 HK cents) per share and a special final dividend of 5.5 HK cents (2015: 5.5 HK cents) per share, such dividends will be proposed for approval by shareholders at the AGM to be held on Tuesday, 30 August 2016, and are payable to shareholders whose names appear on the Register of Members of the Company on Tuesday, 6 September 2016. Total dividends paid and to be paid in respect of the year ended 31 March 2016 amounted to HK\$675,381,000.

Financial summary

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

Major customers and suppliers

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

Reserves

Details of the movements in reserves of the Group and the Company during the year are set out in Note 24 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 12 to the consolidated financial statements.

Report of the **DIRECTORS**

Share capital

Details of the movements in share capital of the Company during the year are set out in Note 23 to the consolidated financial statements.

Share options

Share option schemes

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

(a) Purpose

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

(b) Participants

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

(c) Total number of shares available for issue

- (i) The maximum number of shares in respect of which options may be granted under the 2002 Share Option Scheme shall not (when aggregated with any shares subject to any other share option scheme(s) of the Company) exceed 10% of the issued share capital of the Company on 29 August 2002, the date on which the 2002 Share Option Scheme was adopted (the "2002 Scheme Mandate Limit"). Options lapsed in accordance with the terms of the 2002 Share Option Scheme will not be counted for the purpose of calculating the 2002 Scheme Mandate Limit.
- (ii) The 2002 Scheme Mandate Limit may be renewed at any time subject to prior shareholders' approval but in any event shall not exceed 10% of the issued share capital of the Company as at the date of approval of the renewal of the 2002 Scheme Mandate Limit. Options previously granted under the 2002 Share Option Scheme or any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the refreshed 2002 Scheme Mandate Limit.
- (iii) The maximum number of shares in respect of which options may be granted to grantees under the 2002 Share Option Scheme and other share option schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time.
- (iv) As at 23 June 2016, no further options could be granted under this scheme and the total number of option shares granted but not yet exercised under the 2002 Share Option Scheme was 29,497,988 shares, which represented 1.02% of the total issued share capital of the Company at that date.

Report of the **DIRECTORS**

Share options (Continued)

Share option schemes (Continued)

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

(d) Maximum entitlement of each Participant

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

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

(e) Option Period

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

(f) Minimum period for which an option must be held before it can be exercised

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

(g) Consideration on acceptance of the option

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

(h) Basis of determining the subscription price

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

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

Report of the **DIRECTORS**

Share options (Continued)

Share option schemes (Continued)

- 2002 Share Option Scheme (Continued)

(i) Remaining life of the 2002 Share Option Scheme

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

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

Name	Date of grant	Subscription price per Share (HK\$)	Period during which rights exercisable	Number of Share Options				Outstanding as at 31 March 2016
				Outstanding as at 1 April 2015	Granted during the year	Exercised during the year	#Lapsed during the year	
Director								
Dr LOOK Guy	1 Mar 2012	4.77	28 Feb 2014 to 28 Feb 2022	4,690,998	-	-	-	4,690,998
			28 Feb 2015 to 28 Feb 2022	4,690,998	-	-	-	4,690,998
			note ⁽¹⁾	3,381,996	-	-	-	3,381,996
			note ⁽¹⁾	4,690,998	-	-	-	4,690,998
			note ⁽¹⁾	4,690,998	-	-	-	4,690,998
Employees Under Continuous Employment Contract	30 Sep 2010	3.16	30 Sep 2013 to 29 Sep 2020 ⁽²⁾	602,000	-	-	(40,000)	562,000
			30 Sep 2013 to 29 Sep 2020 ⁽³⁾	40,000	-	-	-	40,000
	17 Jun 2011	4.95	17 Jun 2014 to 16 Jun 2021 ⁽⁴⁾	2,700,000	-	-	(410,000)	2,290,000
			17 Jun 2014 to 16 Jun 2021 ⁽³⁾	40,000	-	-	-	40,000
			17 Jun 2014 to 16 Jun 2021 ⁽⁵⁾	40,000	-	-	-	40,000
			17 Jun 2014 to 16 Jun 2021 ⁽⁴⁾	50,000	-	-	(50,000)	-
			17 Jun 2014 to 16 Jun 2021 ⁽⁷⁾	50,000	-	-	-	50,000
			17 Jun 2014 to 16 Jun 2021 ⁽⁸⁾	50,000	-	-	-	50,000
	29 Jun 2012	4.85	29 Jun 2015 to 28 Jun 2022 ⁽⁹⁾	4,772,000	-	-	(836,000)	3,936,000
			29 Jun 2015 to 28 Jun 2022 ⁽³⁾⁽⁹⁾	40,000	-	-	-	40,000
			29 Jun 2015 to 28 Jun 2022 ⁽⁵⁾⁽⁹⁾	50,000	-	-	-	50,000
			29 Jun 2015 to 28 Jun 2022 ⁽⁴⁾⁽⁹⁾	50,000	-	-	(50,000)	-
			29 Jun 2015 to 28 Jun 2022 ⁽⁷⁾⁽⁹⁾	120,000	-	-	-	120,000
			29 Jun 2015 to 28 Jun 2022 ⁽⁸⁾⁽⁹⁾	70,000	-	-	-	70,000
			29 Jun 2015 to 28 Jun 2022 ⁽⁹⁾⁽¹⁰⁾	200,000	-	-	-	200,000
				31,019,988	-	-	(1,386,000)	29,633,988

There are no share options cancelled during the year.

Report of the **DIRECTORS**

Share options (Continued)

Share option schemes (Continued)

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

Notes:

- (1) The exercise of the share options is subject to certain performance targets that must be achieved by the director. The share options shall be exercised by the director not later than 28 February 2022.
- (2) On 30 September 2010, the Company granted share options to certain employees of the Company in order to reward them for contributing to the long term success of the business of the Group and to encourage and motivate them to continue to contribute to the success of the Group.
- (3) The grantee, Ms KWOK Lai Kwan Anna, is an associate of the chief executive and directors of the Company.
- (4) On 17 June 2011, the Company granted share options to certain employees of the Company in order to reward them for contributing to the long term success of the business of the Group and to encourage and motivate them to continue to contribute to the success of the Group.
- (5) The grantee, Mr KWOK Siu Hung Vincent, is an associate of the chief executive and directors of the Company.
- (6) The grantee, Mr CHAN Chun Bong Junbon Davis (who has ceased to be an employee of the Company), was an associate of the chief executive and directors of the Company.
- (7) The grantee, Ms KWOK Sea Nga Kitty, is an associate of the chief executive and directors of the Company.
- (8) The grantee, Ms KWOK Sze Wai Melody, is an associate of the chief executive and directors of the Company.
- (9) On 29 June 2012, the Company granted 7,567,000 share options to certain employees of the Company in order to reward them for contributing to the long term success of the business of the Group and to encourage and motivate them to continue to contribute to the success of the Group. The exercise of 250,000 share options out of the outstanding balance of 4,416,000 share options as at 31 March 2016 is subject to certain performance targets that must be achieved by the related employees.
- (10) The grantee, Mr LAW Kin Ming Peter, is an associate of the chief executive and directors of the Company.

- **2012 Share Option Scheme**

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

(a) Purpose

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

(b) Participants

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

(c) Total number of shares available for issue

- (i) The maximum number of shares in respect of which options may be granted under the 2012 Share Option Scheme shall not (when aggregated with any shares subject to any other share option scheme(s) of the Company) exceed 10% in nominal amount of the issued share capital of the Company on 23 August 2012, the date on which the 2012 Share Option Scheme was adopted (the "2012 Scheme Mandate Limit"). Option lapsed in accordance with the terms of the 2012 Share Option Scheme will not be counted for the purpose of calculating the 2012 Scheme Mandate Limit.

Report of the **DIRECTORS**

Share options (Continued)

Share option schemes (Continued)

- **2012 Share Option Scheme (Continued)**

(c) Total number of shares available for issue (Continued)

- (ii) The 2012 Scheme Mandate Limit may be renewed at any time subject to prior Shareholders' approval but in any event shall not exceed 10% of the issued share capital of the Company as at the date of approval of the renewal of the 2012 Scheme Mandate Limit. Option previously granted under the 2012 Share Option Scheme or any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the refreshed 2012 Scheme Mandate Limit.
- (iii) The maximum number of shares in respect of which options may be granted to grantees under the 2012 Share Option Scheme and other share option schemes of the Company shall not exceed 30% in nominal amount of the issued share capital of the Company from time to time.
- (iv) As at 23 June 2016, 273,087,006 shares were available for grant under this scheme and the total number of option shares granted but not yet exercised under the 2012 Share Option Scheme was 6,043,000 shares, which represented 9.44% and 0.21% respectively of the total issued share capital of the Company at that date.

(d) Maximum entitlement of each Participant

The maximum number of shares in respect of which options may be granted under the 2012 Share Option Scheme to a specifically identified single Participant shall not (when aggregated with any shares subject to any other share option scheme(s) of the Company and including exercised, cancelled and outstanding options) in any 12-month period exceed 1% of the shares of the Company in issue.

The Company may grant options beyond the said individual limit to Participants if (i) the Company has first sent a circular to Shareholders containing the identity of the Participant in question, the number and terms of the options to be granted (and options previously granted to such Participant) and other relevant information as required under the Listing Rules; and (ii) separate Shareholders' approval has been obtained in general meeting with the proposed Participant and his associates abstaining from voting.

(e) Option Period

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

(f) Minimum period for which an option must be held before it can be exercised

The minimum period, if any, for which an option must be held before it can be exercised shall be determined by the Board at its absolute discretion. The 2012 Share Option Scheme itself does not specify any minimum holding period.

(g) Consideration on acceptance of the option

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

(h) Basis of determining the subscription price

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

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

Report of the **DIRECTORS**

Share options (Continued)

Share option schemes (Continued)

- **2012 Share Option Scheme (Continued)**

(h) Basis of determining the subscription price (Continued)

- (ii) the average closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the Date of Grant; or
- (iii) the nominal value of a share of the Company.

(i) Remaining life of the 2012 Share Option Scheme

The 2012 Share Option Scheme shall be valid and effective for a period of 10 years commencing on 27 August 2012, the date on which it became unconditional and will expire on 26 August 2022.

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

Name	Date of grant	Subscription price per Share (HK\$)	Period during which rights exercisable	Number of Share Options				Outstanding as at 31 March 2016
				Outstanding as at 1 April 2015	Granted during the year	Exercised during the year	#Lapsed during the year	
Employees Under Continuous Employment Contract	21 Jun 2013	8.07	21 Jun 2016 to 20 Jun 2023 ⁽¹⁾	6,711,000	-	-	(1,013,000)	5,698,000
			21 Jun 2016 to 20 Jun 2023 ⁽²⁾	50,000	-	-	(50,000)	-
			21 Jun 2016 to 20 Jun 2023 ⁽³⁾	50,000	-	-	-	50,000
			21 Jun 2016 to 20 Jun 2023 ⁽⁴⁾	20,000	-	-	-	20,000
			21 Jun 2016 to 20 Jun 2023 ⁽⁵⁾	100,000	-	-	-	100,000
			21 Jun 2016 to 20 Jun 2023 ⁽⁶⁾	50,000	-	-	-	50,000
			21 Jun 2016 to 20 Jun 2023 ⁽⁷⁾	20,000	-	-	-	20,000
			21 Jun 2016 to 20 Jun 2023 ⁽⁸⁾	50,000	-	-	-	50,000
			21 Jun 2016 to 20 Jun 2023 ⁽⁹⁾	120,000	-	-	-	120,000
				7,171,000	-	-	(1,063,000)	6,108,000

There are no share options cancelled during the year.

Report of the **DIRECTORS**

Share options (Continued)

Share option schemes (Continued)

- **2012 Share Option Scheme (Continued)**

Notes:

- (1) On 21 June 2013, the Company granted share options to certain employees of the Company in order to reward them for contributing to the long term success of the business of the Group and to encourage and motivate them to continue to contribute to the success of the Group.
- (2) The grantee, Mr CHAN Chun Bong Junbon Davis (who has ceased to be an employee of the Company), was an associate of the chief executive and directors of the Company.
- (3) The grantee, Ms KWOK Lai Kwan Anna, is an associate of the chief executive and directors of the Company.
- (4) The grantee, Ms KWOK Lai Ying Ann, is an associate of the chief executive and directors of the Company.
- (5) The grantee, Ms KWOK Sea Nga Kitty, is an associate of the chief executive and directors of the Company.
- (6) The grantee, Mr KWOK Siu Hung Vincent, is an associate of the chief executive and directors of the Company.
- (7) The grantee, Mr KWOK Siu Keung Paul, is an associate of the chief executive and directors of the Company.
- (8) The grantee, Ms KWOK Sze Wai Melody, is an associate of the chief executive and directors of the Company.
- (9) The grantee, Mr LAW Kin Ming Peter, is an associate of the chief executive and directors of the Company.

Fair value of share options, measured at the grant date of the options, was determined using the binomial lattice model that is based on the underlying assumptions of one of the commonly used employee option pricing models. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

Share award scheme

The share award scheme was adopted by the Board on 11 April 2014 (the "Share Award Scheme"). Under the Share Award Scheme, the Board may, from time to time, at its absolute discretion, select any eligible employees as selected employees and grant awarded Shares to them at no consideration. The awarded Shares were acquired by the independent trustee, at the costs of the Company, and held under a trust on and subject to, among others, the terms and conditions of the Share Award Scheme. Shares awarded will be vested in the selected employees according to the terms of grant determined by the Board.

As at 31 March 2016, a total of 1,470,000 shares had been granted pursuant to the Share Award Scheme representing 0.05% of the Shares in issue as at 31 March 2016, out of which 1,100,000 awarded Shares remained unvested. During the period, a total of 310,000 awarded Shares lapsed and remained part of the trust fund under the Share Award Scheme. A summary of the Share Award Scheme is set out below:

(a) Purpose

The purposes of the Scheme are: (a) to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (b) to attract suitable personnel for further development of the Group.

(b) Administration

The Share Award Scheme may be subject to the administration of the Board and the trustee in accordance with the scheme rules and the trust deed.

Report of the **DIRECTORS**

Share award scheme (Continued)

(c) Duration

Subject to any early termination as may be determined by the Board pursuant to the scheme rules, the Share Award Scheme shall be valid and effective for a term of 15 years commencing on 11 April 2014, the date on which the Share Award Scheme was adopted.

(d) Maximum limit

The maximum number of Shares which may be granted under the Share Award Scheme shall not exceed 5% of the total issued Shares from time to time. The maximum number of Shares which may be awarded to a selected employee under the Share Award Scheme shall not exceed 1% of the total issued Shares from time to time.

(e) Operation

The Board may, from time to time, at its sole and absolute discretion, select any employee, other than the excluded employee (as defined in the Share Award Scheme), as a selected employee for participation in the Share Award Scheme. In determining the number of Shares to be awarded to a selected employee, the Board may take into consideration the rank and performance of the relevant selected employee. The Board may impose any conditions (including a period of continued service with a specified member of the Group after the date on which an award is made by the Board) as it deems appropriate in its absolute discretion with respect to the entitlement of a selected employee to the awarded Shares.

No award shall be made and no instructions to acquire Shares shall be given to the trustee under the Share Award Scheme where any director of the Company possesses unpublished price sensitive or inside information in relation to the Group or the Shares or where dealings by directors of the Company are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time.

The Board shall from time to time cause to be paid funds out of the Group's resources to the trustee sufficient for the acquisition of the awarded Shares. The trustee shall keep the Board informed from time to time of the number of Shares purchased and the price at which those Shares were purchased. The Shares so purchased and any balance of the funds after completion of the purchase shall also form part of the trust fund.

(f) Vesting and lapse

A selected employee shall be entitled to receive the awarded Shares vested in him in accordance with the vesting schedule (if any) and subject to the selected employee having satisfied all vesting conditions (if any) specified by the Board at the time of making the award. Vesting of the Shares will be conditional on the selected employee remaining an employee of the Group as provided in the scheme rules on the relevant vesting dates.

An award may lapse on occurrence on certain events under the Share Award Scheme. The events include, among other things, where a selected employee ceases to be an eligible employee at any time before the vesting date by reason of termination of his employment or engagement summarily by the Group as an employer, his resignation or his retirement (unless his contract of employment or engagement with the Group is renewed or he is re-engaged under a new contract of employment with the Group). If a selected employee dies prior to a vesting date, all the awarded Shares shall be deemed to be vested on the day immediately prior to his/her death.

If a selected employee is found to be an excluded employee or fails to return duly executed transfer documents for the relevant Shares awarded within the stipulated period, the relevant part of an award made to such selected employee will automatically lapse forthwith. The relevant Shares awarded shall not vest on the relevant vesting date but shall be held in the Trust fund for making other awards under the Share Award Scheme. If there occurs an event of change in control of the Company, or the Company's subsidiary employing the selected employee ceases to be a subsidiary of the Company, the vesting of all awarded Shares shall accelerate in accordance with the rules of the Share Award Scheme.

The trustee shall hold any awarded Shares which have lapsed, forfeited or failed to vest in the relevant selected employees as part of the trust fund exclusively for the benefit of all or one or more of the selected employees (excluding any excluded employee). The Board may in its discretion make awards out of such Shares in accordance with the trust and the Share Award Scheme.

Report of the **DIRECTORS**

Share award scheme (Continued)

(g) Voting Rights

The trustee shall not exercise the voting rights in respect of any Shares held by it under the trust.

(h) Termination

The Share Award Scheme shall terminate on the earlier of the fifteenth (15th) anniversary date of 11 April 2014, the date on which the Share Award Scheme was adopted or such date of early termination as determined by the Board. Upon termination, no further grant of awarded Shares may be made.

Details of the awarded Shares granted under the Share Award Scheme and their movements during the year are set out below:

Name	Date of grant	Average fair value per Share (HK\$)	Vesting period*	Number of Awarded Shares				
				Outstanding as at April 2015	Granted during the year	Vested during the year	Lapsed during the year	Outstanding as at 31 March 2016
Employees Under Continuous Employment Contract	30 Sep 2014	5.32	30 Sep 2014 to 30 Sep 2017	820,000	-	(30,000)	(270,000)	520,000
	28 Nov 2014	5.83	28 Nov 2014 to 28 Nov 2017	200,000	-	-	-	200,000
	31 Dec 2014	5.43	31 Dec 2014 to 31 Dec 2017	60,000	-	-	-	60,000
	30 Jan 2015	5.02	30 Jan 2015 to 30 Jan 2018	140,000	-	-	(20,000)	120,000
	31 Jul 2015	3.48	31 Jul 2015 to 31 Jul 2018	-	70,000	-	(20,000)	50,000
	31 Dec 2015	2.62	31 Dec 2015 to 31 Dec 2018	-	50,000	-	-	50,000
	29 Jan 2016	2.12	29 Jan 2016 to 29 Jan 2019	-	50,000	-	-	50,000
	29 Feb 2016	2.40	29 Feb 2016 to 1 Mar 2019	-	50,000	-	-	50,000
				1,220,000	220,000	(30,000)	(310,000)	1,100,000

* The period during which all the specified vesting conditions of the Awarded Share are to be satisfied.

The accounting policies adopted for the share options and the share award scheme are described in Significant Accounting Policies 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.

Buy-back, sale or redemption of shares

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

Report of the **DIRECTORS**

Subsidiaries

Details of the Company's principal subsidiaries as at 31 March 2016 are set out in Note 28 to the consolidated financial statements.

Capitalised interest

No interest was capitalised by the Group during the year (2015: nil).

Distributable reserves

As at 31 March 2016, the reserves of the Company available for distribution amounted to HK\$1,787,784,000 (2015: HK\$1,870,810,000).

Donations

The Group made donations during the year totalling HK\$4,740,000 (2015: HK\$5,420,000).

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: 19 August 2015

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

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: 19 August 2015
- term of directorship: three years commencing on 22 August 2013*

Independent Non-executive Directors

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

- date of appointment as a Director: 1 November 1999
- date of last re-election in AGM as a Director: 21 August 2014
- term of directorship: three years commencing on 1 November 2014*

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

- date of appointment as a Director: 1 January 2000
- date of last re-election in AGM as a Director: 21 August 2014
- term of directorship: three years commencing on 1 January 2015*

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

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

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

Report of the **DIRECTORS**

Directors (Continued)

Independent Non-executive Directors (Continued)

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: 19 August 2015
- term of directorship: three years commencing on 15 December 2015*

Mr TAN Wee Seng

- date of appointment as a Director: 11 March 2010
- date of last re-election in AGM as a Director: 21 August 2014
- term of directorship: three years commencing on 26 August 2013*

In accordance with Article 116 of the articles of association of the Company, Dr KWOK LAW Kwai Chun Eleanor, Dr LOOK Guy and Ms TAM Wai Chu Maria 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. Ms TAM Wai Chu Maria has served as INED of the Company for more than nine years upon expiry of the three-year term ended 23 June 2016, and her further appointment will be subject to a separate resolution to be approved by shareholders. The board will set out in the circular to Shareholders to be dispatched on or around 22 July 2016 the reasons why it believes she continues to be independent and why she should be re-elected at the forthcoming AGM. All retiring 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 which has been reviewed by the Nomination Committee. Both the Nomination Committee and the Board consider all INEDs to be independent throughout the year and that they remain so as at the date of this Annual Report.

Directors' service contracts

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

Contracts of significance

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

Indemnification of Directors

The articles of association of the Company provide that Directors shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. All Directors have the benefit of Directors' and officers' liability insurance.

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

Report of the **DIRECTORS**

Biographical details of directors and senior management

The updated biographical information of the Directors and senior management are set out on pages 48 to 55 of this Annual Report.

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

As at 31 March 2016, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) 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	Number of Shares in the Company					Approximate percentage of the Shares in issue ⁽¹⁾
	Personal interests	Family interests	Corporate interests	Derivatives interests	Total interests	
Dr KWOK Siu Ming Simon	40,728,000	–	1,831,045,035 ⁽²⁾	–	1,871,773,035	64.72%
Dr KWOK LAW Kwai Chun Eleanor	–	40,728,000	1,831,045,035 ⁽²⁾	–	1,871,773,035	64.72%
Dr LOOK Guy	–	–	–	22,145,988 ⁽³⁾	22,145,988	0.77%
Professor CHAN Yuk Shee	2,300,000	–	–	–	2,300,000	0.08%
Ms TAM Wai Chu Maria	2,000,000	–	–	–	2,000,000	0.07%

Notes:

(1) Based on 2,892,131,561 Shares in issue as at 31 March 2016.

(2) These shares are held as to 1,414,871,762 shares by Sunrise Height Incorporated and as to 416,173,273 shares by Green Ravine Limited. Both Sunrise Height Incorporated and Green Ravine Limited are owned as to 50% each by Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor.

(3) Details of Dr LOOK Guy's derivatives interests in the Shares of the Company for the year ended 31 March 2016 are disclosed in the Share Options section on page 144 of this report.

Report of the **DIRECTORS**

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

(III) 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 2016 are set out below:

Dr KWOK Siu Ming Simon

Name of associated corporation	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	Total interests		
Base Sun Investment Limited	–	–	2 ⁽¹⁾	–	2	100%	
Matford Trading Limited	3 ⁽²⁾	–	–	–	3	50%	
Sa Sa Cosmetic Company Limited	1	–	–	–	1	50%	
Sa Sa Investment (HK) Limited	1	–	–	–	1	50%	

Dr KWOK LAW Kwai Chun Eleanor

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

Notes:

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

Save as disclosed above, no Director or chief executive of the Company has any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) 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 144, 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 substantial shareholders

As at 31 March 2016, Shareholders, other than a Director or chief executive of the Company, who had interests and short positions in the shares and underlying shares of the Company which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO are as follows:

Long position of substantial shareholders in the shares of the Company

Name of company	Capacity	No. of shares held	Approximate percentage of shareholding⁽¹⁾
Sunrise Height Incorporated	Beneficial owner	1,414,871,762 ⁽²⁾	48.92%
Green Ravine Limited	Beneficial owner	416,173,273 ⁽²⁾	14.39%

Notes:

(1) Based on 2,892,131,561 Shares in issue as at 31 March 2016.

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

Save as disclosed above, the Company has not been notified by any person (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

Management contracts

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

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.

On behalf of the Board

KWOK Siu Ming Simon
Chairman and CEO

Hong Kong, 23 June 2016

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 set out on pages 158 to 214, which comprise the consolidated statement of financial position as at 31 March 2016, 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.



Independent **AUDITOR'S REPORT**

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 March 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 June 2016

Consolidated **INCOME STATEMENT**

For the year ended 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000
Turnover	2	7,845,875	8,992,837
Cost of sales	5	(4,499,866)	(4,953,590)
Gross profit		3,346,009	4,039,247
Other income	2	117,379	118,445
Selling and distribution costs	5	(2,664,059)	(2,816,699)
Administrative expenses	5	(341,694)	(349,957)
Other gains – net	4	3,440	752
Operating profit		461,075	991,788
Finance income	8	9,380	18,162
Finance costs	8	-	(458)
Finance income – net	8	9,380	17,704
Profit before income tax		470,455	1,009,492
Income tax expense	9	(86,985)	(170,681)
Profit for the year		383,470	838,811
Earnings per share for profit for the year (expressed in HK cents per share)	10		
Basic		13.4	29.5
Diluted		13.4	29.5

The notes and disclosures on pages 164 to 214 are an integral part of these consolidated financial statements.

Consolidated Statement of **COMPREHENSIVE INCOME**

For the year ended 31 March 2016

	2016 HK\$'000	2015 HK\$'000
Profit for the year	383,470	838,811
Other comprehensive loss		
<u>Item that will not be reclassified subsequently to profit or loss</u>		
Actuarial (losses)/gains on retirement benefit obligation	(3,241)	302
<u>Items that may be reclassified to profit or loss</u>		
Cash flow hedges, net of tax	61	(17)
Currency translation differences of foreign subsidiaries recorded in exchange reserve	(19,246)	(33,541)
Other comprehensive loss for the year, net of tax	(22,426)	(33,256)
Total comprehensive income for the year	361,044	805,555

The notes and disclosures on pages 164 to 214 are an integral part of these consolidated financial statements.

Consolidated Statement of **FINANCIAL POSITION**

As at 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	321,089	351,493
Rental deposits, prepayments and other assets	13	167,026	177,686
Deferred tax assets	14	15,786	13,903
		503,901	543,082
Current assets			
Inventories	15	1,102,385	1,382,775
Trade receivables	16	79,150	51,492
Other receivables, deposits and prepayments	17	207,060	249,046
Time deposits	18	393,244	643,976
Cash and cash equivalents	18	685,763	519,702
		2,467,602	2,846,991
LIABILITIES			
Current liabilities			
Trade payables	19	261,495	496,196
Other payables and accruals	20	321,307	328,190
Income tax payable		50,496	36,419
		633,298	860,805
Net current assets		1,834,304	1,986,186
Total assets less current liabilities		2,338,205	2,529,268
Non-current liabilities			
Retirement benefit obligations	22	9,114	5,677
Deferred tax liabilities	14	432	251
Other payables		40,373	48,832
		49,919	54,760
Net assets		2,288,286	2,474,508

Consolidated Statement of **FINANCIAL POSITION**

As at 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000
EQUITY			
Capital and reserves			
Share capital	23	289,213	284,468
Reserves	24	1,999,073	2,190,040
Total equity		2,288,286	2,474,508

On behalf of the Board

KWOK Siu Ming Simon

Director

KWOK LAW Kwai Chun Eleanor

Director

The notes and disclosures on pages 164 to 214 are an integral part of these consolidated financial statements.

Consolidated Statement of **CHANGES IN EQUITY**

For the year ended 31 March 2016

	Note	Share capital HK\$'000	Reserves HK\$'000	Total HK\$'000
Balance at 1 April 2014		284,306	2,040,823	2,325,129
Profit for the year		–	838,811	838,811
Other comprehensive loss:				
Actuarial gains on retirement benefit obligation		–	302	302
Cash flow hedges, net of tax		–	(17)	(17)
Currency translation differences of foreign subsidiaries recorded in exchange reserve		–	(33,541)	(33,541)
Total comprehensive income for the year		–	805,555	805,555
Share Award Scheme:				
Value of employee services	24	–	1,348	1,348
Shares purchased for Share Award Scheme	23(c)	–	(8,531)	(8,531)
Employee share option scheme:	23(a)			
Value of employee services	24	–	11,714	11,714
Proceeds from shares issued upon exercise of share options	23(a) & 24	162	7,404	7,566
Unclaimed dividends forfeited	24	–	198	198
Dividends:				
2013/2014 final and special dividends	24	–	(412,457)	(412,457)
2014/2015 interim dividend	24	–	(142,230)	(142,230)
2014/2015 special dividend	24	–	(113,784)	(113,784)
Total transactions with owners, recognised directly in equity		162	(656,338)	(656,176)
Balance at 31 March 2015		284,468	2,190,040	2,474,508
Balance at 1 April 2015		284,468	2,190,040	2,474,508
Profit for the year		–	383,470	383,470
Other comprehensive loss:				
Actuarial losses on retirement benefit obligation		–	(3,241)	(3,241)
Cash flow hedges, net of tax		–	61	61
Currency translation differences of foreign subsidiaries recorded in exchange reserve		–	(19,246)	(19,246)
Total comprehensive income for the year		–	361,044	361,044
Share Award Scheme:				
Value of employee services	24	–	1,888	1,888
Employee share option scheme:	23(a)			
Value of employee services	24	–	3,850	3,850
Issue of shares upon scrip dividend of 2015/2016 interim dividend	23(a)	4,745	110,554	115,299
Unclaimed dividends forfeited	24	–	198	198
Dividends:				
2014/2015 final and special dividends	24	–	(412,479)	(412,479)
2015/2016 interim dividend	24	–	(142,234)	(142,234)
2015/2016 special dividend	24	–	(113,788)	(113,788)
Total transactions with owners, recognised directly in equity		4,745	(552,011)	(547,266)
Balance at 31 March 2016		289,213	1,999,073	2,288,286

The notes and disclosures on pages 164 to 214 are an integral part of these consolidated financial statements.

Consolidated Statement of CASH FLOWS

For the year ended 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000
Cash flows from operating activities			
Cash generated from operations	25	654,007	1,296,870
Hong Kong profits tax paid		(40,653)	(197,824)
Overseas tax paid		(34,432)	(29,440)
Net cash generated from operating activities		578,922	1,069,606
Cash flows from investing activities			
Purchase of property, plant and equipment		(117,035)	(149,893)
Proceeds from disposal of property, plant and equipment	25	4,505	3,303
Decrease/(increase) in time deposits	18	250,732	(73,416)
Interest received		7,845	17,014
Net cash generated from/(used in) investing activities		146,047	(202,992)
Cash flows from financing activities			
Proceeds from shares issued upon exercise of share options	23(a)	-	7,566
Purchase of shares for Share Award Scheme	23(c)	-	(8,531)
Repayment of borrowings		-	(80,000)
Finance costs paid		-	(458)
Unclaimed dividends forfeited		198	198
Cash dividends paid to Company's shareholders		(553,202)	(668,471)
Net cash used in financing activities		(553,004)	(749,696)
Net increase in cash and cash equivalents		171,965	116,918
Cash and cash equivalents at beginning of year	18	519,702	418,780
Effect of foreign exchange rate changes		(5,904)	(15,996)
Cash and cash equivalents at end of year	18	685,763	519,702

The notes and disclosures on pages 164 to 214 are an integral part of these consolidated financial statements.

Significant ACCOUNTING POLICIES

Apart from the accounting policies presented within the corresponding notes to the consolidated financial statements, other significant accounting policies are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1 Basis of preparation

Sa Sa International Holdings Limited (the “Company”) and its subsidiaries are collectively referred as the Group in the consolidated financial statements. The consolidated financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in “Critical Accounting Estimates and Judgments” on page 173.

2 Changes in accounting policies and disclosures

(i) Amendments of standards mandatory for the first time for the financial year beginning 1 April 2015 and were early adopted in prior years

- Amendment to HKAS 19 regarding defined benefit plans
- Annual improvement to HKFRSs, 2010-2012 cycle
- Annual improvement to HKFRSs, 2011-2013 cycle

(ii) The following new standards have been issued but are not effective for the financial year beginning 1 April 2015 and have not been early adopted

- HKFRS 9 (2014), “Financial Instruments” (effective for annual periods beginning on or after 1 April 2018)
- HKFRS 15 “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 1 April 2018)
- HKFRS 16 “Leases” (effective for annual periods beginning on or after 1 April 2019)

The Group is in the process of making an assessment of the impact of these new standards in the period of initial application and is not yet in a position to state whether they would have a significant impact on the Group’s results of operations and financial position.

(iii) New Hong Kong Companies Ordinance (Cap.622)

The requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Chapter 622) (new CO) came into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

Significant **ACCOUNTING POLICIES**

3 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost 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 financial statements of the Company exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

5 Operating leases

Leases in which a significant portion of the risks and rewards of ownership retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the asset is included in the the statement of financial position based on the nature of the asset.

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

6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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 16 and 17) and "cash and bank balances" (Note 18) in the statement of financial position.

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

(iii) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Significant ACCOUNTING POLICIES

8 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Hong Kong dollar ("HK\$"), which is the Company's functional and the Group's and the Company's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses are presented in the income statement within "other gains – net".

(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 recognised in other comprehensive income.

9 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefit obligations

The Group operates various post-employment schemes, 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.

Significant ACCOUNTING POLICIES

9 Employee benefits (continued)

(ii) Retirement benefit obligations (continued)

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in income statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Long service payments

The Group's net obligation in respect of amounts payable on cessation of employment in certain circumstances under the employment law of the respective countries in which the Group operates is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Long service payments are assessed using the projected unit credit method. The cost of providing the long service payment liabilities is charged to the income statement so as to spread the cost over the service lives of employees in accordance with the advice of the actuaries.

Long service payments are discounted to determine the present value of obligation and reduced by entitlement accrued under the Group's defined contribution plans that are attributable to contributions made by the Group. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income statement.

Significant ACCOUNTING POLICIES

9 Employee benefits (continued)

(iv) Bonus plan

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liability for bonus plan is expected to be settled within 12 months and is measured at the amount expected to be paid when it is settled.

10 Share-based payment

(i) Equity-settled share-based payment transactions

The Group operates two equity-settled, Share Option Scheme and Share Award Scheme, under which the entity receives services from employees as consideration for equity instruments (options or awarded shares) of the Group. The fair value of the employee services received in exchange for the grant of the options or awarded shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted or shares awarded:

- including any market performance conditions (for example, an entity's share price); and
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period).

Non-market performance and service conditions are included in assumptions about the number of options or awarded shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options or awarded shares that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

Upon vesting and transfer of the awarded shares to the awardees, the related costs of the awarded shares are credited to shares held under the Share Award Scheme, and the related fair value of the shares are debited to employee share-based compensation reserve.

(ii) Share-based payment transactions among group entities

The grant by the Company of options or share awards over its equity instruments to the employees of subsidiary in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary, with a corresponding credit to equity in the parent entity accounts.

Significant ACCOUNTING POLICIES

11 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

12 Financial risk management

12.1 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 minimise 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 dollar arising from foreign exchange exposure. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operation.

Most of the assets, receipts and payments of the Group are either in Hong Kong dollar, US dollar, Euro or Renminbi. The Group minimises its foreign exchange exposure 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 regularly reviewed by the Group.

Certain assets of the Group are denominated in US dollar but the foreign exchange risk is considered not significant as Hong Kong dollar exchange rate is pegged to US dollar.

The remaining Group's assets and liabilities are primarily denominated in the respective group companies' functional currency which do not expose the Group to material foreign exchange risk.

Significant ACCOUNTING POLICIES

12 Financial risk management (continued)

12.1 Financial risk factors (continued)

(ii) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, rental deposits, other receivables, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. As at 31 March 2016, all bank balances and bank deposits are held at reputable financial institutions. The rental deposits and other receivables are from counterparties with good credit history. There is no history of defaults from these counterparties. In respect of wholesale customers, the Group performs periodic credit evaluations of its customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly reviewed. Sales to retail customers are settled in cash or using major credit cards. No material credit limits were exceeded during the reporting period, and management does not expect any material losses from non-performance by these counterparties.

Trade receivables are due within 90 days from the date of invoice. As at 31 March 2016, 99.6% (2015: 99.7%) of the total trade receivables were due within 90 days. The maximum exposure to credit risk is represented by the carrying amount of trade receivables in the consolidated statement of financial position. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 16.

(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 2016, the Group's financial liabilities were mainly trade payables and other payables amounting to HK\$431,655,000 (2015: HK\$668,472,000), which were substantially due within 3 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 18. 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.

12.2 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 2016, 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. As at 31 March 2016 and 2015, the Group had no borrowings, the gearing ratio is not applicable.

Significant ACCOUNTING POLICIES

12 Financial risk management (continued)

12.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 March 2016 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 March 2016

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Derivatives used for hedging				
– Forward foreign exchange contracts	-	63	-	63
Total assets	-	63	-	63
Liabilities				
Derivatives used for hedging				
– Forward foreign exchange contracts	-	16	-	16
Total liabilities	-	16	-	16

As at 31 March 2015

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Derivatives used for hedging				
– Forward foreign exchange contracts	-	125	-	125
Total assets	-	125	-	125
Liabilities				
Derivatives used for hedging				
– Forward foreign exchange contracts	-	203	-	203
Total liabilities	-	203	-	203

Critical Accounting **ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Income taxes and deferred tax

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As at 31 March 2016, the Group did not recognise deferred tax assets of HK\$59,587,000 (2015: HK\$49,459,000) in respect of tax losses and capital allowances amounting to HK\$243,540,000 (2015: HK\$198,644,000) and HK\$26,806,000 (2015: HK\$24,344,000) respectively that could be carried forward against future taxable income as the realisation of the related tax benefits through future taxable profit is not probable. Estimating the amount of deferred tax asset arising from tax losses requires a process that involves determining appropriate provisions for income tax expense, forecasting future year's taxable income and assessing our ability to utilise tax benefits through future earnings. In cases where the actual future profits generated are different from original estimates than expected, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such circumstances are changed.

(ii) Impairment of investments in subsidiaries and non-financial assets

The Group 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 recoverable amount, which requires the Group to estimate the value in use which base on 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, an impairment loss may arise. During the year, after reviewing the business environment as well as the Group's strategies and past performance of its cash-generating units, management concluded that there were impairment for plant and equipment totally HK\$17,249,000 (2015: HK\$34,319,000). Management believe that any reasonably possible changes in the assumptions used in the impairment reviews would not affect management's view on impairment at current year end.

(iii) 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 realised. 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 the valuation model are disclosed in Note 23.

(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. 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

The Group is principally engaged in the retailing and wholesaling of cosmetic products.

The Company is a limited liability company incorporated in Cayman Islands. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company has its listing on the Stock Exchange of Hong Kong Limited.

As at 31 March 2016, 48.9% of the total issued shares of the Company were owned by Sunrise Height Incorporated, a company incorporated in the British Virgin Islands. The directors regard Sunrise Height Incorporated, which is owned 50.0% each by Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor, as being the ultimate holding company of the Company.

These consolidated financial statements are presented in thousands of Hong Kong dollar (HK\$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 23 June 2016.

2 Revenue and turnover

Accounting Policy

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership which generally coincides with the time of the payment in cash or by credit cards for retail sale. For wholesale and internet transactions, revenue is recognised at the point that risks and rewards of the inventory have passed to the customer, which is the point of dispatch. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

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

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

The Group operates the "Customer Loyalty Programme" where certain customers accumulate points for purchases made which entitle them to purchase goods for free or at a discounted price. The award points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale such that the award points are recognised at their fair value. Revenue from the award points is recognised when the points are redeemed or expired. The amount of initial revenue recognised is based on the number of points redeemed relative to the total number expected to be redeemed. The maximum life of award points is up to 12 months from date of issue and there were no material award points outstanding as at year end.

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS**

2 Revenue and turnover (continued)

The Group is principally engaged in the retailing and wholesaling of cosmetic products. Turnover represents the sales of goods to customers. An analysis of revenues recognised during the year is as follows:

	2016 HK\$'000	2015 HK\$'000
Turnover		
Retail and wholesale	7,845,875	8,992,837
Other income		
Slide display rental income	62,767	62,376
Sub-lease income	54,612	56,069
	117,379	118,445
	7,963,254	9,111,282

3 Segment information

Accounting Policy

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

Executive directors of the Group review the internal reporting of the Group in order to assess performance and allocate resources. Executive directors consider the business principally from a geographic perspective and assess the performance of the geographic segments based on a measure of segments results. Business reportable segments identified are Hong Kong & Macau, Mainland China 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. 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 2016			
	Hong Kong & Macau HK\$'000	Mainland China HK\$'000	All other segments HK\$'000	Total HK\$'000
Turnover	6,315,567	303,803	1,226,505	7,845,875
Segment results	465,700	(39,640)	(42,590)	383,470
Other information				
Capital expenditure	60,159	11,632	45,244	117,035
Finance income	7,075	381	1,924	9,380
Income tax expense	86,591	–	394	86,985
Depreciation	80,905	11,107	31,279	123,291
Impairment of property, plant and equipment	7,776	2,298	7,175	17,249

	For the year ended 31 March 2015			
	Hong Kong & Macau HK\$'000	Mainland China HK\$'000	All other segments HK\$'000	Total HK\$'000
Turnover	7,356,718	346,962	1,289,157	8,992,837
Segment results	877,762	(30,766)	(8,185)	838,811
Other information				
Capital expenditure	81,756	21,586	46,551	149,893
Finance income	14,558	778	2,826	18,162
Finance costs	458	–	–	458
Income tax expense	163,240	–	7,441	170,681
Depreciation	104,879	18,137	39,517	162,533
Impairment of property, plant and equipment	14,535	7,978	11,806	34,319

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

3 Segment information (continued)

	Hong Kong & Macau HK\$'000	Mainland China HK\$'000	All other segments HK\$'000	Total HK\$'000
At 31 March 2016				
Non-current assets	382,529	24,444	96,928	503,901
Current assets	1,877,528	161,389	428,685	2,467,602
				2,971,503
At 31 March 2015				
Non-current assets	418,503	28,104	96,475	543,082
Current assets	2,177,511	206,728	462,752	2,846,991
				3,390,073

4 Other gains – net

	Significant Accounting Policies No. 8	
	2016 HK\$'000	2015 HK\$'000
Net exchange gains	3,440	752

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

5 Expenses by nature

	2016 HK\$'000	2015 HK\$'000
Cost of inventories sold	4,414,612	4,906,235
Employee benefit expenses (including directors' emoluments) (Note 6)	1,076,959	1,142,540
Operating lease rentals in respect of land and buildings		
– minimum lease payments	947,388	922,580
– contingent rent	65,775	83,404
Advertising and promotion expenses	140,868	167,019
Depreciation of property, plant and equipment (Note 12)	123,291	162,533
Building management fees, government rent and rates	91,005	84,908
Provision for slow moving inventories and stock shrinkage (Note 15)	85,254	47,355
Utilities and telecom	63,339	66,622
Sub-lease expenses	54,304	57,133
Repair and maintenance	43,031	36,124
Impairment and write-off of property, plant and equipment (Note 12)	19,916	37,472
Donations	4,740	5,420
Auditors' remuneration		
– audit services	3,616	3,685
– non-audit services	1,369	2,543
Others	370,152	394,673
	7,505,619	8,120,246
Representing:		
Cost of sales	4,499,866	4,953,590
Selling and distribution costs	2,664,059	2,816,699
Administrative expenses	341,694	349,957
	7,505,619	8,120,246

6 Employee benefit expenses (including directors' emoluments)

	Significant Accounting Policies No. 9	
	2016 HK\$'000	2015 HK\$'000
Directors' fees	1,763	1,736
Basic salaries, bonuses, housing allowances, other allowances and benefits-in-kind	1,010,544	1,066,465
Provision for unutilised annual leave	5,466	6,113
Retirement benefit costs (Note 22(b))	53,448	55,164
Share-based payment	5,738	13,062
	1,076,959	1,142,540

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

7 Director and senior management emoluments

(a) Directors' emoluments

Directors' emoluments comprise of 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 (2015: HK\$257,400) each. Considering the comparatively heavier workload and responsibility of Audit Committee, its Chairman and members will receive an additional annual remuneration amounted to HK\$70,000 and HK\$50,000 respectively.

The aggregate amounts of emoluments payable to the directors of the Company during the year were as follows:

	2016 HK\$'000	2015 HK\$'000
Directors' fees	1,763	1,736
Basic salaries, housing allowances, other allowances and benefits-in-kind	8,632	8,632
Discretionary bonuses	454	454
Retirement benefit costs	605	605
Share-based payment	460	5,675
	11,914	17,102

The remuneration of each director of the Company during the year ended 31 March 2016 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
Executive Directors						
Dr KWOK Siu Ming Simon (iii)	-	2,858	238	200	-	3,296
Dr KWOK LAW Kwai Chun Eleanor	-	2,594	216	182	-	2,992
Dr LOOK Guy	-	3,180	-	223	460	3,863
Non-executive Director						
Ms LEE Yun Chun Marie-christine	257	-	-	-	-	257
Independent Non-executive Directors						
Professor CHAN Yuk Shee	328	-	-	-	-	328
Dr LEUNG Kwok Fai Thomas	307	-	-	-	-	307
Ms TAM Wai Chu Maria	307	-	-	-	-	307
Ms KI Man Fung Leonie	307	-	-	-	-	307
Mr TAN Wee Seng	257	-	-	-	-	257
	1,763	8,632	454	605	460	11,914

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 2015 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
Executive Directors						
Dr KWOK Siu Ming Simon (iii)	-	2,858	238	200	-	3,296
Dr KWOK LAW Kwai Chun Eleanor	-	2,594	216	182	-	2,992
Dr LOOK Guy	-	3,180	-	223	5,675	9,078
Non-executive Director						
Ms LEE Yun Chun Marie-christine	257	-	-	-	-	257
Independent Non-executive Directors						
Professor CHAN Yuk Shee	319	-	-	-	-	319
Dr LEUNG Kwok Fai Thomas	304	-	-	-	-	304
Ms TAM Wai Chu Maria	304	-	-	-	-	304
Ms KI Man Fung Leonie	295	-	-	-	-	295
Mr TAN Wee Seng	257	-	-	-	-	257
	1,736	8,632	454	605	5,675	17,102

Notes:

- (i) Share-based payment represents amortisation 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 2016 and 2015, no share options were granted to the executive director under the 2002 Share Option Scheme and the 2012 Share Option Scheme.
- (iii) Dr KWOK Siu Ming Simon is the Chief Executive Officer of the Company.

No compensation for loss of office has been paid to the directors for the years ended 31 March 2016 and 2015.

No director of the Company waived any emoluments during the years ended 31 March 2016 and 2015.

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 (2015: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2015: two) individuals during the year were as follows:

	2016 HK\$'000	2015 HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	3,564	3,283
Discretionary bonuses	797	274
Retirement benefit costs	249	230
Share-based payment	731	783
	5,341	4,570

The emoluments of the individuals fell within the following bands:

Emoluments bands	Number of individuals	
	2016	2015
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$2,500,001 – HK\$3,000,000	2	1
	2	2

(c) Senior management emoluments

The details of the senior management emoluments payable during the year were as follows:

	2016 HK\$'000	2015 HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	4,608	4,429
Discretionary bonuses	959	375
Retirement benefit costs	323	263
Share-based payment	610	276
	6,500	5,343

One (2015: one) of the senior management emoluments are included in the analysis presented in Note 7(b) above.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

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	
	2016	2015
HK\$1,500,001 – HK\$2,000,000	2	3
HK\$2,000,001 – HK\$2,500,000	1	–
	3	3

8 Finance income and costs

Accounting Policy

Interest income is recognised on a time-proportion basis using the effective interest method.

Borrowing costs are recognised 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.

	2016 HK\$'000	2015 HK\$'000
Finance income:		
Interest income on bank deposits	6,633	15,462
Others	2,747	2,700
	9,380	18,162
Finance costs on bank borrowings wholly repayable within one year	–	(458)
Finance income – net	9,380	17,704

9 Income tax expense

Accounting Policy

The tax expense for the year comprise of current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

9 Income tax expense (continued)

Hong Kong profits tax has been provided for at the rate of 16.5% (2015: 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.

	2016 HK\$'000	2015 HK\$'000
Current tax:		
Hong Kong profits tax		
Current	61,433	144,778
Over-provision in previous years	(321)	(173)
Overseas taxation		
Current	27,982	35,894
(Over)/under-provision in previous years	(139)	88
Total current tax	88,955	180,587
Deferred tax (Note 14):		
Origination and reversal of temporary differences	(1,970)	(10,076)
Impact of change in Malaysia tax rate	-	170
Total deferred tax	(1,970)	(9,906)
Income tax expense	86,985	170,681

The income tax expense on the Group's profit before income tax differs from the theoretical amount that would arise using the profits rate of Hong Kong as follows:

	2016 HK\$'000	2015 HK\$'000
Profit before income tax	470,455	1,009,492
Tax calculated at a taxation rate of 16.5% (2015: 16.5%)	77,625	166,566
Effect of different taxation rates in other countries	(7,091)	(8,228)
Income not subject to income tax	(2,159)	(3,712)
Expenses not deductible for income tax purposes	4,175	4,466
Unrecognised tax losses	14,895	11,504
Re-measurement of deferred tax – change in tax rate	-	170
Over-provision in previous years	(460)	(85)
Income tax expense	86,985	170,681

The effective tax rate was 18.5% (2015: 16.9%).

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS**

10 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 less the total number of shares held under the Share Award Scheme during the year.

	2016	2015
	HK\$'000	HK\$'000
Profit attributable to owners of the Company	383,470	838,811
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the year (thousands)	2,854,155	2,843,383

- (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 two categories of dilutive potential ordinary shares: share options and shares held under the Share Award Scheme during the year. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. For shares held under the Share Award Scheme, awarded shares granted to the employees but not yet vested as at 31 March 2016 has been included in the number of shares.

	2016	2015
	HK\$'000	HK\$'000
Profit attributable to owners of the Company	383,470	838,811
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the year (thousands)	2,854,155	2,843,383
Adjustment for share options and awarded shares (thousands)	1,127	4,248
Weighted average number of ordinary shares for diluted earnings per share (thousands)	2,855,282	2,847,631

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

11 Dividends

Accounting Policy

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

	2016 HK\$'000	2015 HK\$'000
Interim, paid – 5.0 HK cents (2015: 5.0 HK cents) per share	142,234	142,230
Special, paid – 4.0 HK cents (2015: 4.0 HK cents) per share	113,788	113,784
Final, proposed – 9.0 HK cents (2015: 9.0 HK cents) per share	260,292	256,021
Special, proposed – 5.5 HK cents (2015: 5.5 HK cents) per share	159,067	156,458
	675,381	668,493

For interim and special interim dividends, scrip dividend elections were offered to all shareholders. At a meeting held on 23 June 2016, the directors proposed a final dividend of 9.0 HK cents and a special final dividend of 5.5 HK cents per share. The final and special final dividends will be payable in cash with a scrip dividend alternative. These proposed dividends have not been reflected as dividend payables in these consolidated financial statements, but will be reflected as an appropriation of distributable reserve for the year ending 31 March 2017 if approved by the shareholders.

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS**

12 Property, plant and equipment

Accounting Policy

Land and buildings mainly comprise of offices. Leasehold land classified as finance lease and all other property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Leasehold land classified as finance lease commences depreciation from the time when the land interest becomes available for its intended use. Depreciation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Over remaining lease term
Buildings	20-36 years
Leasehold improvements	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 (Significant Accounting Policies No. 6).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised in the income statement.

Please refer to Critical Accounting Estimates and Judgements (ii) and (v) for estimates and judgements on impairment for plant and equipment and useful lives, residual values and depreciation of property, plant and equipment.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

12 Property, plant and equipment (continued)

	Land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Equipment, furniture and fixtures HK\$'000	Motor vehicles and vessel HK\$'000	Total HK\$'000
At 31 March 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
Year ended 31 March 2015					
Opening net book amount	143,639	172,831	83,044	5,922	405,436
Exchange differences	–	(1,139)	(2,455)	(22)	(3,616)
Additions	9,297	103,863	34,054	2,679	149,893
Disposals	–	(150)	(65)	–	(215)
Write-off	–	(2,163)	(990)	–	(3,153)
Depreciation	(5,754)	(112,288)	(40,866)	(3,625)	(162,533)
Impairment losses	–	(27,985)	(6,334)	–	(34,319)
Closing net book amount	147,182	132,969	66,388	4,954	351,493
At 31 March 2015					
Cost	190,790	630,946	255,500	23,161	1,100,397
Accumulated depreciation and impairment	(43,608)	(497,977)	(189,112)	(18,207)	(748,904)
Net book amount	147,182	132,969	66,388	4,954	351,493
Year ended 31 March 2016					
Opening net book amount	147,182	132,969	66,388	4,954	351,493
Exchange differences	–	(2,299)	(1,671)	(14)	(3,984)
Additions	–	80,636	35,397	1,002	117,035
Disposals	–	(19)	(138)	(91)	(248)
Write-off	–	(1,439)	(1,228)	–	(2,667)
Depreciation	(5,629)	(79,919)	(35,482)	(2,261)	(123,291)
Impairment losses	–	(14,961)	(2,288)	–	(17,249)
Closing net book amount	141,553	114,968	60,978	3,590	321,089
At 31 March 2016					
Cost	190,790	628,939	273,032	21,772	1,114,533
Accumulated depreciation and impairment	(49,237)	(513,971)	(212,054)	(18,182)	(793,444)
Net book amount	141,553	114,968	60,978	3,590	321,089

- (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\$96,944,000 (2015: HK\$132,487,000) was included in selling and distribution costs and HK\$26,347,000 (2015: HK\$30,046,000) was included in administrative expenses.

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS**

12 Property, plant and equipment (continued)

- (c) The Group regards its individual retail stores as separately identifiable cash-generating units. Due to loss-making results of certain cash-generating units, the Group assessed that the carrying amounts of those cash-generating units cannot be fully recovered and were impaired. As a result, during the year ended 31 March 2016, the carrying amount of the certain cash-generating units of HK\$17,249,000 (2015: HK\$34,319,000) was impaired. An impairment loss of HK\$17,249,000 (2015: HK\$34,319,000) was recognised in selling and distribution costs. The estimates of the recoverable amounts were based on value-in-use estimations. These estimations use cash flow projections discounted by the weighted average cost of capital of the Group based on the financial forecasts approved by management covering the cash-generating units' remaining lease terms but not more than 5 years.

13 Rental deposits, prepayments and other assets

	Significant Accounting Policies No. 7	
	2016 HK\$'000	2015 HK\$'000
Rental and other deposits	160,359	167,823
Prepayments	1,115	4,311
Others	5,552	5,552
	167,026	177,686

Rental deposits are carried at amortised cost using the effective interest rate of 0.63% to 1.39% per annum (2015: 0.63% to 1.39% per annum). As at 31 March 2016, the carrying amounts of rental deposits approximate their fair values.

14 Deferred tax

Accounting Policy

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS**

14 Deferred tax (continued)

Accounting Policy (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Please refer to Critical Accounting Estimates and Judgements (i) for estimates and judgements on unrecognised deferred tax assets.

Deferred tax is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2015: 16.5%).

The movement in net deferred tax assets account is as follows:

	2016 HK\$'000	2015 HK\$'000
At beginning of the year	13,652	4,113
Deferred tax credited to the income statement (Note 9)	1,970	10,076
Change in tax rate	-	(170)
Exchange differences	(268)	(367)
At end of the year	15,354	13,652

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset 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:

	2016 HK\$'000	2015 HK\$'000
Deferred tax assets	15,786	13,903
Deferred tax liabilities	(432)	(251)
	15,354	13,652

As at 31 March 2016, except for the deferred tax assets on certain provisions may be expected to be recoverable within 12 months, substantially all remaining balances of other deferred tax assets and liabilities were expected to be recoverable more than 12 months.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

14 Deferred tax (continued)

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	
	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of the year	8,490	1,216	5,650	5,206	426	207	14,566	6,629
Credited/(charged) to the income statement	2,385	7,027	(224)	1,228	(143)	219	2,018	8,474
Change in tax rate	-	(1)	-	(169)	-	-	-	(170)
Exchange differences	(18)	248	(250)	(615)	-	-	(268)	(367)
At end of the year	10,857	8,490	5,176	5,650	283	426	16,316	14,566

Deferred tax liabilities	Accelerated tax depreciation	
	2016	2015
	HK\$'000	HK\$'000
At beginning of the year	914	2,516
Charged/(credited) to the income statement	48	(1,602)
At end of the year	962	914

Deferred tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of HK\$59,587,000 (2015: HK\$49,459,000) in respect of tax losses amounting to HK\$243,540,000 (2015: HK\$198,644,000) and capital allowances amounting to HK\$26,806,000 (2015: HK\$24,344,000) that can be carried forward against future taxable income. Tax losses amounting to HK\$190,455,000 (2015: HK\$163,890,000) and HK\$6,054,000 (2015: HK\$5,865,000) will expire within 1-5 years and 5-10 years respectively from 31 March 2016. The remaining tax losses have no expiry date.

15 Inventories

Accounting Policy

Inventories comprise merchandise and are stated at the lower of cost and net realisable value.

Cost represents the invoiced cost of inventories plus the applicable freight and duties. Costs are assigned to individual items on the weighted-average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges purchases of inventories.

Please refer to Critical Accounting Estimates and Judgements (iii) for estimates and judgements on write-downs of inventories to net realisable value.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

15 Inventories (continued)

	2016 HK\$'000	2015 HK\$'000
Merchandise for resale	1,102,385	1,382,775

The cost of inventories recognised as expense and included in cost of sales amounted to HK\$4,414,612,000 (2015: HK\$4,906,235,000).

During the year, the Group has made a provision of HK\$85,254,000 for slow moving inventories and stock shrinkage (2015: HK\$47,355,000). The amount was included in cost of sales in the consolidated income statement.

16 Trade receivables

Accounting Policy

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Please refer to Significant Accounting Policies No.7 (iii) for policies on impairment of financial assets.

	2016 HK\$'000	2015 HK\$'000
Trade receivables	81,368	52,280
Less: provision for impairment losses on trade receivables	(2,218)	(788)
Trade receivables – net	79,150	51,492

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 based on invoice date of gross trade receivables is as follows:

	2016 HK\$'000	2015 HK\$'000
Within 1 month	48,968	47,861
1 to 3 months	29,880	3,472
Over 3 months	2,520	947
	81,368	52,280

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

16 Trade receivables (continued)

As at 31 March 2016, trade receivables of HK\$28,670,000 (2015: HK\$3,622,000) 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:

	2016 HK\$'000	2015 HK\$'000
1 to 3 months	28,190	3,463
Over 3 months	480	159
	28,670	3,622

Trade receivables are denominated in the following currencies:

	2016 HK\$'000	2015 HK\$'000
Hong Kong dollar	46,924	22,450
Renminbi	18,806	14,039
New Taiwan dollar	9,824	12,156
Others	3,596	2,847
	79,150	51,492

Movement in the Group's provision for impairment of trade receivables is as follows:

	2016 HK\$'000	2015 HK\$'000
At 1 April	788	400
Provision for impairment	1,865	540
Receivable written off during the year as uncollectible	(410)	(150)
Exchange differences	(25)	(2)
At 31 March	2,218	788

During the year, the Group has made a provision for impairment losses on trade receivables of HK\$1,865,000 (2015: HK\$540,000). 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 counterparty default rates. The existing counterparties do not have significant default in the past. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

The maximum exposure to credit risk at the reporting date is the carrying value of trade and other receivables. The Group does not hold any collateral as security.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

17 Other receivables, deposits and prepayments

Accounting Policy

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

If collection of other receivables is expected to be in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Please refer to Significant Accounting Policies No.7 (iii) for policies on impairment of financial assets.

	2016 HK\$'000	2015 HK\$'000
Rental and other deposits	138,515	140,309
Prepayments	37,653	83,018
Forward foreign exchange contracts (Note 21)	63	125
Other receivables and payment in advance	30,829	25,594
	207,060	249,046

The carrying amounts of other receivables and deposits approximate their fair values.

18 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.

	2016 HK\$'000	2015 HK\$'000
Time deposits	393,244	643,976
Cash at bank and on hand	312,782	382,663
Short-term bank deposits	372,981	137,039
Cash and cash equivalents	685,763	519,702
Total	1,079,007	1,163,678

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS**

18 Cash and bank balances (continued)

Cash and bank balances are denominated in the following currencies:

	2016 HK\$'000	2015 HK\$'000
Hong Kong dollar	838,677	839,515
Renminbi	48,267	78,985
US dollar	40,651	26,987
Malaysian Ringgit	40,058	84,252
Singapore dollar	37,484	57,017
Macau Pataca	34,612	12,102
Swiss Franc	21,051	26,845
New Taiwan dollar	14,677	25,496
Euro	108	7,356
Others	3,422	5,123
	1,079,007	1,163,678

The year-end effective interest rate on time deposits over three months was 1.02% per annum (2015: 1.52% per annum). These deposits have an average maturity of 7 months (2015: 6 months).

The year-end effective interest rate on short-term bank deposits was 0.81% per annum (2015: 2.45% per annum). These deposits have an average maturity of 1 month (2015: 1 month).

As at 31 March 2016, out of the total cash and bank balances, approximately HK\$44,195,000 (2015: HK\$68,789,000) 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.

19 Trade payables

Accounting Policy

Trade payables are obligations to pay for goods that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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

	2016 HK\$'000	2015 HK\$'000
Within 1 month	148,644	328,837
1 to 3 months	85,320	144,030
Over 3 months	27,531	23,329
	261,495	496,196

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

19 Trade payables (continued)

The carrying amounts of trade payables approximate their fair values.

Trade payables are denominated in the following currencies:

	2016 HK\$'000	2015 HK\$'000
Hong Kong dollar	169,009	288,426
Renminbi	39,945	36,238
New Taiwan dollar	19,414	27,392
Singapore dollar	13,021	15,629
Malaysian Ringgit	7,899	18,525
US dollar	5,901	35,638
Swiss Franc	3,831	24,581
Euro	1,829	44,084
Others	646	5,683
	261,495	496,196

20 Other payables and accruals

Accounting Policy

Other payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

	2016 HK\$'000	2015 HK\$'000
Accrued staff costs	110,084	115,216
Accrued rental related expenses	32,159	40,926
Accrued advertising and promotion expenses	21,266	28,636
Customers' deposits and temporary receipts	44,196	27,859
Value-added tax and other tax payables	14,380	11,521
Accrued capital expenditure	17,687	21,968
Forward foreign exchange contracts (Note 21)	16	203
Other payables and accruals	81,519	81,861
	321,307	328,190

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS**

21 Forward foreign exchange contracts

Accounting Policy

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements on the hedging reserve in shareholders' equity are shown in Note 24. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Cash flow hedges

In the current year, the Group designated certain forward foreign exchange contracts as cash flow hedges to hedge against the Group's purchases denominated in Euro, Swiss Franc and Japanese Yen. The Group designates certain derivatives as cash flow hedge: hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within "other gains – net".

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast purchase that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example inventory), the gains and losses previously deferred in hedging reserve are transferred from hedging reserve and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold when these inventory are sold.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time, is recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in hedging reserve is immediately transferred to the income statement within "other gains – net".

(b) Derivatives not qualifying for hedge accounting or held for trading purposes

Certain derivatives instruments do not qualify for hedge accounting. Any gains or losses arising from the change in the fair value of derivatives that do not qualify for hedge accounting is recognised immediately in the income statement within 'other gains – net'.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

21 Forward foreign exchange contracts (continued)

	2016		2015	
	Current assets HK\$'000	Current liabilities HK\$'000	Current assets HK\$'000	Current liabilities HK\$'000
Forward foreign exchange contracts – cash flow hedge	63	16	125	203

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 2016, the notional principal amount of the outstanding forward foreign exchange contracts under cash flow hedges was HK\$4,704,000 (2015: HK\$19,907,000). The hedges related to highly probable forecasted purchases denominated in Euro, Swiss Franc and Japanese Yen which are expected to occur at various dates within a 12-month period.

The forward foreign exchange contracts entered for the year ended 31 March 2016 were determined to be effective hedges. There was no ineffectiveness to be recognised in the consolidated income statement.

22 Retirement benefit obligations

(a) Retirement benefit obligations

	Significant Accounting Policies No. 9	
	2016 HK\$'000	2015 HK\$'000
Retirement benefit obligations (asset)/liability on:		
– defined benefit plan (Note 22 (b)(ii))	(491)	(749)
– long service payments (Note 22 (b)(iii))	9,605	6,426
	9,114	5,677

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

22 Retirement benefit obligations (continued)

(b) Retirement benefit costs

	2016 HK\$'000	2015 HK\$'000
Retirement benefit costs charged to income statement:		
Retirement benefit costs (Note 6)		
– defined contribution plans (Note 22 (b)(i))	52,967	54,719
– defined benefit plan (Note 22 (b)(ii))	(1)	16
	52,966	54,735
– long service payments (Note 22 (b)(iii))	482	429
	53,448	55,164
Retirement benefit costs charged/(credited) to other comprehensive income:		
– defined benefit plan (Note 22 (b)(ii))	375	(606)
– long service payments (Note 22 (b)(iii))	2,866	304
	3,241	(302)

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\$30,000). Contributions from the employer equivalent to the contribution as specified at the rules of the MPF Scheme are 100% vested as soon as they are paid to the relevant MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the age of 65, subject to a few exceptions. As to the employer's contribution in excess of the portion vested in the MPF Scheme the employees are entitled to 100% of it after 10 years of completed service or at a reduced scale after completion of 3 to 9 years' service. 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.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

22 Retirement benefit obligations (continued)

(b) Retirement benefit costs (continued)

Notes: (continued)

- (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 in an independent administered pooled funds held at Bank of Taiwan and the assets are held separately from those of the Group.

The latest actuarial valuation was prepared as at 31 March 2016 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.

The amounts recognised in the consolidated statement of financial position are determined as follows:

	2016 HK\$'000	2015 HK\$'000
Present value of funded obligations	2,485	2,223
Fair value of plan assets	(2,976)	(2,972)
Net asset in the statement of financial position (Note 22 (a))	(491)	(749)

The movements of defined benefit plan during the year are as follow:

	Fair value of plan assets (Asset)/liability HK\$'000	Present value of funded obligations (Asset)/liability HK\$'000	Total (Asset)/liability HK\$'000
At 1 April 2015	(2,972)	2,223	(749)
Current service cost	-	16	16
Interest (income)/expense	(66)	49	(17)
Retirement benefit costs (credited)/charged to income statement	(66)	65	(1)
Remeasurements:			
Actuarial loss – experience	-	65	65
Actuarial loss – financial assumptions	-	270	270
Return on scheme assets greater than discount rate	40	-	40
Retirement benefit costs charged to other comprehensive income	40	335	375
Employer contributions	(78)	-	(78)
Exchange difference	100	(138)	(38)
At 31 March 2016	(2,976)	2,485	(491)

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

22 Retirement benefit obligations (continued)

(b) Retirement benefit costs (continued)

Notes: (continued)

	Fair value of plan assets (Asset)/liability HK\$'000	Present value of funded obligations (Asset)/liability HK\$'000	Total (Asset)/liability HK\$'000
At 1 April 2014	(2,864)	2,702	(162)
Current service cost	–	20	20
Interest (income)/expense	(59)	55	(4)
Retirement benefit costs (credited)/charged to income statement	(59)	75	16
Remeasurements:			
Actuarial gain – experience	–	(499)	(499)
Actuarial loss – financial assumptions	–	13	13
Return on scheme assets greater than discount rate	(120)	–	(120)
Retirement benefit costs credited to other comprehensive income	(120)	(486)	(606)
Employer contributions	(61)	–	(61)
Exchange difference	132	(68)	64
At 31 March 2015	(2,972)	2,223	(749)

The principal actuarial assumptions used are as follows:

	2016 %	2015 %
Discount rate	1.3	2.3
Expected rate of future salary increases	3.0	3.3

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%	-2.9%
	-0.25%	+3.0%
Expected rate of future salary increases	+0.25%	+3.0%
	-0.25%	-2.9%

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS**

22 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 2016 prepared by Towers Watson Hong Kong Limited, a qualified actuary, using the projected unit credit method.

The movements of long service payments during the year are as follow:

	Present value of funded obligations (Asset)/liability	
	2016 HK\$'000	2015 HK\$'000
At 1 April	6,426	5,887
Current service cost	383	309
Interest cost on scheme assets	99	120
Retirement benefit costs charged to income statement	482	429
Remeasurements:		
Actuarial loss/(gain) – experience	5,105	(881)
Actuarial (gain)/loss- financial assumptions	(2,239)	1,185
Retirement benefit costs charged to other comprehensive income	2,866	304
Benefits paid directly by the employer	(169)	(194)
At 31 March	9,605	6,426

The principal actuarial assumptions used are as follows:

	2016 %	2015 %
Discount rate	1.2	1.6
Expected rate of future salary increases	3.5	4.5

The sensitivity of the long service payments to changes in the weighted principal assumption is as follows:

Assumption	Change to adopted rate	Effect on defined benefit plan obligation
Discount rate	+0.25%	-2.1%
	-0.25%	+2.2%
Expected rate of future salary increases	+0.25%	+7.9%
	-0.25%	-7.6%

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

23 Share capital

Accounting Policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Please refer to Significant Accounting Policies No.10 for details on Share Options and Share Award Scheme.

Authorised shares of HK\$0.1 each	Note	No. of shares	HK\$'000
At 31 March 2015 and 2016		8,000,000,000	800,000
Issued and fully paid shares of HK\$0.1 each			
At 1 April 2014		2,843,059,520	284,306
Issue of shares upon exercise of share options	(a)	1,624,000	162
At 31 March 2015		2,844,683,520	284,468
Issue of shares upon scrip dividend of 2015/16 interim dividend		47,448,041	4,745
At 31 March 2016		2,892,131,561	289,213

Notes:

(a) Issue of shares upon exercise of share options granted under the 2002 Share Option Scheme

No shares were issued pursuant to the 2002 Share Option Scheme during the year ended 31 March 2016. For the year ended 31 March 2015, a total of 1,624,000 shares were issued to certain employees of the Company upon exercise of the share options granted under the 2002 Share Option Scheme. The proceeds of the issues amounted to HK\$7,566,000 which included share premium in the sum of HK\$7,404,000.

(b) Share options

The 2002 Share Option Scheme was adopted on 29 August 2002 and terminated on 23 August 2012. No further options could be granted under the 2002 Share Option Scheme upon termination but the options already granted remained governed by the 2002 Share Option Scheme. The 2012 Share Option Scheme was adopted on 23 August 2012.

Under both the 2002 Share Option Scheme and the 2012 Share Option Scheme, share options may be granted to any directors (including executive, non-executive and independent non-executive directors) and employees of the Group, and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any members of the Group who the Board or a duly authorised committee thereof considers, in its sole discretion, to have contributed to the Group.

The option period shall be notified by the Board to each grantee at the time of making an offer which shall not expire later than 10 years from the date of grant of the relevant option. The subscription price shall be determined by the Board at its absolute discretion but in any event shall not be less than the highest of: (i) the closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company. The Group has no obligation to repurchase or settle the options in cash.

Out of the 35,741,988 outstanding share options (2015: 38,190,988), 29,633,988 options (2015: 21,026,990) were exercisable but not exercised. The outstanding share options of the Company were granted under the 2002 Share Option Scheme and the 2012 Share Option Scheme.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

23 Share capital (continued)

Notes: (continued)

(b) Share options (continued)

Movements in the number of share options outstanding are as follows:

	No. of share options year ended 31 March	
	2016	2015
At beginning of the year	38,190,988	43,012,988
Exercised	-	(1,624,000)
Lapsed	(2,449,000)	(3,198,000)
At end of the year	35,741,988	38,190,988

The expiry dates and subscription prices of the share options outstanding as at 31 March 2016 are set out as follows:

Expiry date	Subscription price per Share (HK\$)	No. of share options outstanding as at 31 March	
		2016	2015
2002 Share Option Scheme			
29 September 2020	3.16	602,000	642,000
16 June 2021	4.95	2,470,000	2,930,000
28 February 2022	4.77	22,145,988	22,145,988
28 June 2022	4.85	4,416,000	5,302,000
2012 Share Option Scheme			
20 June 2023	8.07	6,108,000	7,171,000
		35,741,988	38,190,988

Fair value of share options, measured at the grant date of the options, was determined using the binomial lattice model that is based on the underlying assumptions of one of the commonly used employee option pricing models. 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.

(c) Share award

Share Award Scheme

Pursuant to a resolution of the Board meeting dated 11 April 2014, the Board approved the adoption of the Share Award Scheme under which shares of the Company may be awarded to selected employees in accordance with its absolute discretion. The Share Award Scheme operates for 15 years starting from 11 April 2014. The maximum number of shares which may be awarded to a selected employee under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company. Vesting of the shares will be conditional on the selected employee remaining an employee of the Group as provided in the scheme rules on the relevant vesting dates.

A trust has been set up and fully funded by the Company for the purpose of purchasing, administrating and holding the Company's shares for the Share Award Scheme. The total number of shares to be awarded under the Share Award Scheme is limited to 5% of the issued share capital of the Company.

The Group acquired 1,450,000 of its shares on the Stock Exchange on 12 September 2014 for the Share Award Scheme. The total amount paid to acquire the shares was HK\$8,531,200 and has been deducted from shareholders' equity.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

23 Share capital (continued)

Notes: (continued)

(c) Share award (continued)

Details of shares awarded under Share Award Scheme during the years ended 31 March 2016 and 2015:

Date of award	Number of awarded shares	Average fair value per share (HK\$)	Vesting period*
30 Sep 2014	850,000	5.32	30 Sep 2014 – 30 Sep 2017
28 Nov 2014	200,000	5.83	28 Nov 2014 – 28 Nov 2017
31 Dec 2014	60,000	5.43	31 Dec 2014 – 31 Dec 2017
30 Jan 2015	140,000	5.02	30 Jan 2015 – 30 Jan 2018
31 Jul 2015	70,000	3.48	31 Jul 2015 – 31 Jul 2018
31 Dec 2015	50,000	2.62	31 Dec 2015 – 31 Dec 2018
29 Jan 2016	50,000	2.12	29 Jan 2016 – 29 Jan 2019
29 Feb 2016	50,000	2.40	29 Feb 2016 – 1 Mar 2019
	1,470,000		

Note: *The period during which all the specific vesting conditions of the awarded shares are to be satisfied.

Movements in the number of shares awarded are as follows:

	Number of awarded shares year ended 31 March	
	2016	2015
At beginning of the year	1,220,000	-
Awarded (Note)	220,000	1,250,000
Vested	(30,000)	(30,000)
Lapsed	(310,000)	-
At end of the year	1,100,000	1,220,000

Note: Average fair value per share was \$2.73 (2015:\$5.37).

Details of the awarded shares outstanding as at 31 March 2016 were set out as follows:

Date of award	Number of awarded shares	Average fair value per share (HK\$)	Vesting period*
30 Sep 2014	520,000	5.32	30 Sep 2014 – 30 Sep 2017
28 Nov 2014	200,000	5.83	28 Nov 2014 – 28 Nov 2017
31 Dec 2014	60,000	5.43	31 Dec 2014 – 31 Dec 2017
30 Jan 2015	120,000	5.02	30 Jan 2015 – 30 Jan 2018
31 Jul 2015	50,000	3.48	31 Jul 2015 – 31 Jul 2018
31 Dec 2015	50,000	2.62	31 Dec 2015 – 31 Dec 2018
29 Jan 2016	50,000	2.12	29 Jan 2016 – 29 Jan 2019
29 Feb 2016	50,000	2.40	29 Feb 2016 – 1 Mar 2019
	1,100,000		

Note: *The period during which all the specific vesting conditions of the awarded shares are to be satisfied.

As at 31 March 2016, 290,000 (31 March 2015: 200,000) unallocated shares, including 310,000 awarded Shares lapsed during the year, were held by the trustee under Share Award Scheme and will be granted to selected employees in future.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

24 Reserves

	Share premium HK\$'000	Shares held under the Share Award Scheme HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Hedging reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2015	675,635	(8,354)	11,783	60,438	(15)	(21,858)	1,472,411	2,190,040
Profit for the year	-	-	-	-	-	-	383,470	383,470
Other comprehensive loss:								
Actuarial losses on retirement benefit obligation	-	-	-	-	-	-	(3,241)	(3,241)
Cash flow hedges, net of tax	-	-	-	-	61	-	-	61
Currency translation differences of foreign subsidiaries recorded in exchange reserve	-	-	-	-	-	(19,246)	-	(19,246)
Total comprehensive income for the year ended 31 March 2016	-	-	-	-	61	(19,246)	380,229	361,044
Share Award Scheme:								
Value of employee services	-	-	-	1,888	-	-	-	1,888
Vesting of shares under Share Award Scheme	-	176	-	(159)	-	-	(17)	-
Employee share option scheme:								
Value of employee services	-	-	-	3,850	-	-	-	3,850
Lapse of share option after vesting	-	-	-	(2,008)	-	-	2,008	-
Issue of shares upon scrip dividend of 2015/16 interim dividend (Note 23)	110,554	-	-	-	-	-	-	110,554
Unclaimed dividends forfeited	-	-	-	-	-	-	198	198
Dividends:								
2014/2015 final and special dividends	-	-	-	-	-	-	(412,479)	(412,479)
2015/2016 interim dividend	-	-	-	-	-	-	(142,234)	(142,234)
2015/2016 special dividend	-	-	-	-	-	-	(113,788)	(113,788)
Total transactions with owners, recognised directly in equity	110,554	176	-	3,571	-	-	(666,312)	(552,011)
At 31 March 2016	786,189	(8,178)	11,783	64,009	46	(41,104)	1,186,328	1,999,073

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

24 Reserves (continued)

	Share premium HK\$'000	Shares held under the Share Award Scheme HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Hedging reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2014	665,968	-	11,783	49,799	2	11,683	1,301,588	2,040,823
Profit for the year	-	-	-	-	-	-	838,811	838,811
Other comprehensive loss:								
Actuarial gains on retirement benefit obligation	-	-	-	-	-	-	302	302
Cash flow hedges, net of tax	-	-	-	-	(17)	-	-	(17)
Currency translation differences of foreign subsidiaries recorded in exchange reserve	-	-	-	-	-	(33,541)	-	(33,541)
Total comprehensive income for the year ended 31 March 2015	-	-	-	-	(17)	(33,541)	839,113	805,555
Share Award Scheme:								
Value of employee services	-	-	-	1,348	-	-	-	1,348
Shares purchased for Share Award Scheme (Note 23(c))	-	(8,531)	-	-	-	-	-	(8,531)
Vesting of shares under Share Award Scheme	-	177	-	(160)	-	-	(17)	-
Employee share option scheme:								
Value of employee services	-	-	-	11,714	-	-	-	11,714
Proceeds from shares issued upon exercise of options (Note 23(a))	7,404	-	-	-	-	-	-	7,404
Transfer of reserve upon exercise of options	2,263	-	-	(2,263)	-	-	-	-
Unclaimed dividends forfeited	-	-	-	-	-	-	198	198
Dividends:								
2013/2014 final and special dividends	-	-	-	-	-	-	(412,457)	(412,457)
2014/2015 interim dividend	-	-	-	-	-	-	(142,230)	(142,230)
2014/2015 special dividend	-	-	-	-	-	-	(113,784)	(113,784)
Total transactions with owners, recognised directly in equity	9,667	(8,354)	-	10,639	-	-	(668,290)	(656,338)
At 31 March 2015	675,635	(8,354)	11,783	60,438	(15)	(21,858)	1,472,411	2,190,040

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS**

25 Cash generated from operations

	2016 HK\$'000	2015 HK\$'000
Profit for the year	383,470	838,811
Adjustments for:		
– Income tax expense	86,985	170,681
– Depreciation of property, plant and equipment	123,291	162,533
– Impairment and write-off of property, plant and equipment	19,916	37,472
– Provision for slow moving inventories and stock shrinkage	85,254	47,355
– Gains on disposal of property, plant and equipment	(4,257)	(3,088)
– Share-based payment	5,738	13,062
– Finance costs	–	458
– Finance income	(9,380)	(18,162)
	691,017	1,249,122
Changes in working capital		
– Inventories	183,073	(70,987)
– Trade receivables	(27,658)	626
– Other receivables, deposits and prepayments	54,181	(12,670)
– Trade payables	(234,701)	104,622
– Other payables, accruals and retirement benefit obligations	(11,905)	26,157
Cash generated from operations	654,007	1,296,870

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2016 HK\$'000	2015 HK\$'000
Net book amount (Note 12)	248	215
Gains on disposal of property, plant and equipment	4,257	3,088
Proceeds from disposal of property, plant and equipment	4,505	3,303

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS**

26 Commitments

(a) Capital commitments in respect of acquisition of property, plant and equipment

	2016 HK\$'000	2015 HK\$'000
Contracted but not provided for	6,626	9,226
Authorised but not contracted	132,580	203,808
	139,206	213,034

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.

(b) Commitments under operating leases

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1-10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

As at 31 March 2016, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2016 HK\$'000	2015 HK\$'000
Land and buildings		
Within one year	858,100	854,355
In the second to fifth year inclusive	676,324	816,027
After the fifth year	1,387	2,438
	1,535,811	1,672,820

(c) Operating leases rental receivables

As at 31 March 2016, the Group had total future aggregate minimum lease payments receivable under non-cancellable operating leases as follows:

	2016 HK\$'000	2015 HK\$'000
Land and buildings		
Within one year	42,190	53,655
In the second to fifth year inclusive	1,890	42,700
	44,080	96,355

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS**

27 Significant related party transactions

Accounting Policy

Related parties are individuals and companies, including subsidiaries, fellow subsidiaries, jointly controlled entities, associated companies and key management personnel, where the individual or company has the ability, directly or indirectly, control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions. A close family member of any such individual is considered to be a related party.

(a) Key management compensation

Key management, including executive directors and senior management, represents individual who has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions.

Key management compensation is disclosed as follows:

	2016 HK\$'000	2015 HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	43,298	39,899
Retirement benefit costs	2,139	1,821
Share-based payment	2,554	6,285
	47,991	48,005

(b) Interest of Directors

There are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities (2015: Nil). During the year and at the year end, no director of the Company had or has a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Group's business to which the Group was or is a party (2015: Nil).

28 Principal subsidiaries

Particulars of the principal subsidiaries at 31 March 2016:

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%

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS**

28 Principal subsidiaries (continued)

Particulars of the principal subsidiaries at 31 March 2016: (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
Gig Limited	Samoa, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$1	100%
Hadatuko Limited	British Virgin Islands, 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%
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%
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	British Virgin Islands, limited liability company	Trading and retailing of cosmetic products in Taiwan	Ordinary US\$6,880,000	100%

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS**

28 Principal subsidiaries (continued)

Particulars of the principal subsidiaries at 31 March 2016: (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 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%
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-owned foreign enterprise for an operating period of 30 years up to 4 December 2038.
- 2) Sa Sa Cosmetic (China) Company Limited is a wholly-owned foreign enterprise for an operating period of 30 years up to 5 February 2035.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

29 Statement of financial position and reserves of the Company

Statement of financial position of the Company

	2016 HK\$'000	2015 HK\$'000
ASSETS		
Non-current assets		
Investments in and amounts due from subsidiaries	1,885,800	1,782,490
Other assets	750	750
	1,886,550	1,783,240
Current assets		
Other receivables, deposits and prepayments	987	1,602
Time deposits	136,224	433,350
Cash and cash equivalents	122,494	2,315
	259,705	437,267
LIABILITIES		
Current liabilities		
Other payables and accruals	1,644	1,362
Net current assets	258,061	435,905
Total assets less current liabilities	2,144,611	2,219,145
EQUITY		
Capital and reserves		
Share capital	289,213	284,468
Reserves	1,855,398	1,934,677
Total equity	2,144,611	2,219,145

On behalf of the Board

KWOK Siu Ming Simon
Director

KWOK LAW Kwai Chun Eleanor
Director

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

29 Statement of financial position and reserves of the Company (continued)

Reserve movement of the Company

	Share premium HK\$'000	Shares held under the Share Award Scheme HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2015	675,635	(8,354)	11,783	60,438	1,195,175	1,934,677
Profit and total comprehensive income for the year	-	-	-	-	472,732	472,732
Share Award Scheme:						
Value of employee services	-	-	-	1,888	-	1,888
Vesting of shares under Share Award Scheme	-	176	-	(159)	(17)	-
Employee share option scheme:						
Value of employee services	-	-	-	3,850	-	3,850
Lapse of share option after vesting	-	-	-	(2,008)	2,008	-
Issue of shares upon scrip dividend of 2015/16 interim dividend (Note 23)	110,554	-	-	-	-	110,554
Unclaimed dividends forfeited	-	-	-	-	198	198
Dividends:						
2014/2015 final and special dividends	-	-	-	-	(412,479)	(412,479)
2015/2016 interim dividend	-	-	-	-	(142,234)	(142,234)
2015/2016 special dividend	-	-	-	-	(113,788)	(113,788)
Total transactions with owners, recognised directly in equity	110,554	176	-	3,571	(666,312)	(552,011)
At 31 March 2016	786,189	(8,178)	11,783	64,009	1,001,595	1,855,398

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

29 Statement of financial position and reserves of the Company (continued)

Reserve movement of the Company (continued)

	Share premium HK\$'000	Shares held under the Share Award Scheme HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2014	665,968	-	11,783	49,799	895,478	1,623,028
Profit and total comprehensive income for the year	-	-	-	-	967,987	967,987
Share Award Scheme:						
Value of employee services	-	-	-	1,348	-	1,348
Shares purchased for Share Award Scheme (Note 23(c))	-	(8,531)	-	-	-	(8,531)
Vesting of shares under Share Award Scheme	-	177	-	(160)	(17)	-
Employee share option scheme:						
Value of employee services	-	-	-	11,714	-	11,714
Proceeds from shares issued upon exercise of options (Note 23 (a))	7,404	-	-	-	-	7,404
Transfer of reserve upon exercise of options	2,263	-	-	(2,263)	-	-
Unclaimed dividends forfeited	-	-	-	-	198	198
Dividends:						
2013/2014 final and special dividends	-	-	-	-	(412,457)	(412,457)
2014/2015 interim dividend	-	-	-	-	(142,230)	(142,230)
2014/2015 special dividend	-	-	-	-	(113,784)	(113,784)
Total transactions with owners, recognised directly in equity	9,667	(8,354)	-	10,639	(668,290)	(656,338)
At 31 March 2015	675,635	(8,354)	11,783	60,438	1,195,175	1,934,677




GLOSSARY

AGM(s)	Annual general meetings of the Company
Board	Board of directors of the Company
CEO	Chief Executive Officer of the Company
CFO	Chief Financial Officer of the Company
CG Code	Corporate Governance Code and Corporate Governance Report, Appendix 14 of the Listing Rules
Code Provision(s)	Code Provisions in the CG Code
Company, Sasa, Sa Sa, Sa Sa Group, Group, we or us	Sa Sa International Holdings Limited, and, except where the context indicates otherwise, its subsidiaries
Corporate Communication(s)	Any document issued or to be issued by the Company for the information or action of holders of any securities of the Company, including but not limited to annual and interim 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
ESG	Environmental, Social and Governance
HKExnews website	http://www.hkexnews.hk
Hong Kong, HK or HKSAR	The Hong Kong Special Administrative Region of the People's Republic of China
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Macau	The Macau Special Administrative Region of the People's Republic of China
Mainland or Mainland China	The People's Republic of China excluding Hong Kong, Macau and Taiwan
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 of the Listing Rules
PRC	The People's Republic of China
PwC, auditor, external auditor or independent auditor	PricewaterhouseCoopers



GLOSSARY

SFO	Securities and Futures Ordinance, Cap.571
Share(s)	Share(s) of the Company
Shareholder(s)	Shareholder(s) of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
The Company's website	http://corp.sasa.com



This 2015/16 Annual Report is available in both English and Chinese, and in printed and electronic forms. Shareholders who (i) have received either the English or the Chinese version of the Annual Report and wish to have a copy in the language different from the one that has been received; or (ii) wish to change the choice of means of receipt or language of the Corporate Communications received from the Company in future, may request to do so by completing and returning the Change Request Form (which may be downloaded from the Company's website) by post or by hand to Tricor Abacus Limited ("Tricor"), the Company's branch share registrar and transfer office in Hong Kong. Tricor's address is at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. The scanned copy of the completed Change Request Form may also be returned to Tricor by email at sasa-ecom@hk.tricorglobal.com.

The Annual Report and other Corporate Communications are now available on the Company's website at <http://corp.sasa.com> and the HKExnews website of the Stock Exchange at <http://www.hkexnews.hk>. If Shareholders have difficulty in receiving or gaining access to the same through the above means for any reason, the Company will promptly upon receiving the Change Request Form send the printed version of the requested document(s) to the Shareholders free of charge.

As an environment-conscious corporate citizen, the Company encourages Shareholders to access the Corporate Communications via the Company's or HKExnews website. The Company's website presents a user-friendly interface in English and Chinese, and all Corporate Communications are easily accessible in the "Investor Relations" section following their releases.





Sa Sa International Holdings Limited

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Shares of Sa Sa International Holdings Limited are traded on
The Stock Exchange of Hong Kong Limited (Stock Code: 178)