# beauty
## *propagating*

Annual Report 2016/2017


sasa
*making life beautiful*

Sa Sa International Holdings Limited | Stock Code: 178

# beauty *propagating*

Wearing a mysterious scent will keep the people around enchanted.
Putting on a professional touch of make-up will attract overhead spotlights.
Walking in light footsteps to feel the charm of confidence;
Dancing in chic style and bringing your mind along the way.
Inheriting the art of make-up by combining vintage and modern essence;
Passing on the concept of beauty to preserve the tradition of elegance.

The endless efforts on our part to inherit the concept of beauty are fully recognised by our shareholders, the community, our employees and valued customers. It is Sa Sa's consistent commitment to preserve beauty through integrating the latest trends with nurturing over generations, with a view to achieving continuous creation, value enhancement and enduring beauty.

# contents

# 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 2016, 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 and one La Colline specialty store, 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 brand products, the Group also acts as the sole agent for many international cosmetics 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 38.0% 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 training hours (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, fulfill 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.

## Exclusive Distributorship Logos

16 brand
23years old Premium homecare
Abercrombie & Fitch
AIGNER DÉBUT
ARMAND BASI
AZZARO
banila co.
b·līv healthy pores healthy skin
BENTLEY
BERGMAN BEAUTY CARE
berrisom
BEYOND
Blumarine
BRTC
ver. 22 chosungah
COLLISTAR
COLOR COMBOS
costro

Crabtree & Evelyn LONDON
CREMORLAB
CROP
CYBER COLORS
DoMeCare MADE IN TAIWAN
Dr.G
Dr.Jart+
Dr.Oracle Your Dermocare Solution
DSQUARED2
dunhill LONDON
Easydew
Eleanor
Elizabeth Arden NEW YORK
Ferrari
Gianfranco FERRÉ
goodal ferment beauty
GUESS
肌っ子

HALLOWEEN
Haruhada ハルハダ
HOLLISTER CALIFORNIA
isoi
It'S SKIN
JAGUAR FRAGRANCES
john varvatos
La Colline
La Estephe
L'eau de DIAMOND BY KEISUKE HONDA
PRINCESSE MARINA DE BOURBON PARIS
Masaki PARIS
Mercedes-Benz Perfume.
Methode Jeanne Piaubert PARIS
Méthode SWISS
moonshot
Nanis COSMETICS

NOV
Neogence
ON: THE BODY 온:더바디
NUXE PARIS
PARFUMS GRÈS PARIS
Paris Hilton
페리오|PERIOE
peripera
PERRY ELLIS FRAGRANCES
POLICE
PORSCHE DESIGN
PUPA MILANO
re'skin
Rucipello
LES PARFUMS Salvador Dalí
Salvatore Ferragamo
samourai woman Champagne Rose
sasatinnie
SEANJOHN

Simply
skin79
SkinPeptoxyl
SNP Shining Nature Purity
SOMANG COSMETICS
Soo Beauté
SPRINGFIELDS THE BEAUTY OF NATURE
SUISSE PROGRAMME
SWISS BALANCE
SWISS Rituel
TALIKA
THE OOZOO
the SAEM
TOUS
TPO
TRANSVITAL
TRUSSARDI
VICTORINOX

# CORPORATE INFORMATION

## Board of Directors

### Executive Directors

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

### Non-executive Director

Ms LEE Yun Chun Marie-Christine

### Independent Non-executive Directors

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

## Company Secretary

Ms MAK Sum Wun Simmy

## Head Office

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

## Registered Office

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

## Auditor

PricewaterhouseCoopers
Certified Public Accountants

## Principal Share Registrar and Transfer Office

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

## Hong Kong Branch Share Registrar and Transfer Office

Tricor Abacus Limited
Level 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
Sumitomo Mitsui Banking Corporation, Hong Kong Branch
BNP Paribas, Hong Kong Branch

## Share Information

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

## Investor Relations

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

## Corporate Website

corp.sasa.com

## Shopping Website

www.sasa.com

◊ Since 30 June 2017

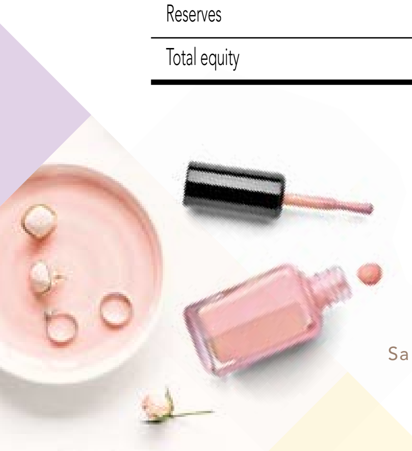
# TEN-YEAR FINANCIAL SUMMARY

## Consolidated Income Statement

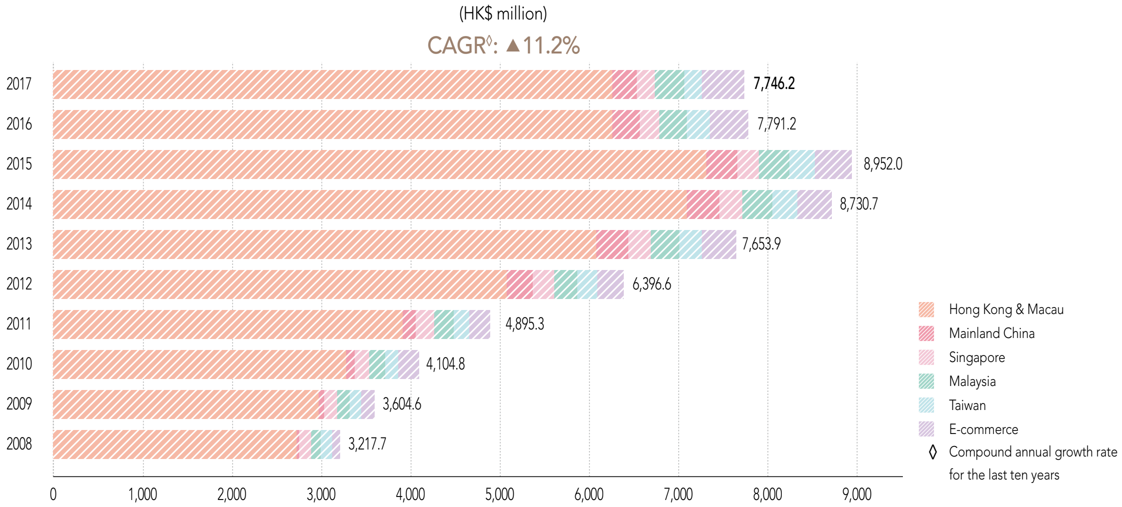
| | 2017 HK$'000 | < Note 2 > 2016 HK$'000 Restated | < Note 2 > 2015 HK$'000 Restated | < Note 2 > 2014 HK$'000 Restated | < Note 2 > 2013 HK$'000 Restated | < Note 2 > 2012 HK$'000 Restated | < Note 2 > 2011 HK$'000 Restated | < Note 1 & 2 > 2010 HK$'000 Restated | < Note 1 & 2 > 2009 HK$'000 Restated | < Note 1 & 2 > 2008 HK$'000 Restated |
|---|---|---|---|---|---|---|---|---|---|---|
| Turnover | | | | | | | | | | |
| – Continuing operations | **7,746,152** | 7,791,244 | 8,952,046 | 8,730,748 | 7,653,887 | 6,396,648 | 4,895,318 | 4,104,813 | 3,604,630 | 3,217,737 |
| – Discontinued operations | **–** | – | – | – | – | – | – | – | – | 231,658 |
| | **7,746,152** | 7,791,244 | 8,952,046 | 8,730,748 | 7,653,887 | 6,396,648 | 4,895,318 | 4,104,813 | 3,604,630 | 3,449,395 |
| Gross profit | | | | | | | | | | |
| – Continuing operations | **3,228,818** | 3,372,828 | 4,064,660 | 4,102,942 | 3,580,081 | 2,908,157 | 2,218,129 | 1,819,649 | 1,579,910 | 1,391,686 |
| – Discontinued operations | **–** | – | – | – | – | – | – | – | – | 146,277 |
| | **3,228,818** | 3,372,828 | 4,064,660 | 4,102,942 | 3,580,081 | 2,908,157 | 2,218,129 | 1,819,649 | 1,579,910 | 1,537,963 |
| Gross profit margin | | | | | | | | | | |
| – Continuing operations | **41.7%** | 43.3% | 45.4% | 47.0% | 46.8% | 45.5% | 45.3% | 44.3% | 43.8% | 43.3% |
| – Discontinued operations | **–** | – | – | – | – | – | – | – | – | 63.1% |
| | **41.7%** | 43.3% | 45.4% | 47.0% | 46.8% | 45.5% | 45.3% | 44.3% | 43.8% | 44.6% |
| Operating profit | | | | | | | | | | |
| – Continuing operations | **395,293** | 461,075 | 991,788 | 1,113,506 | 987,169 | 828,374 | 608,267 | 459,324 | 370,907 | 323,525 |
| – Discontinued operations | **–** | – | – | – | – | – | – | – | – | 3,962 |
| | **395,293** | 461,075 | 991,788 | 1,113,506 | 987,169 | 828,374 | 608,267 | 459,324 | 370,907 | 327,487 |
| Profit for the year | | | | | | | | | | |
| – Continuing operations | **326,705** | 383,470 | 838,811 | 935,235 | 825,634 | 689,709 | 509,270 | 381,887 | 316,743 | 277,045 |
| – Discontinued operations | **–** | – | – | – | – | – | – | – | – | 71,960 |
| | **326,705** | 383,470 | 838,811 | 935,235 | 825,634 | 689,709 | 509,270 | 381,887 | 316,743 | 349,005 |
| Profit margin | | | | | | | | | | |
| – Continuing operations | **4.2%** | 4.9% | 9.4% | 10.7% | 10.8% | 10.8% | 10.4% | 9.3% | 8.8% | 8.6% |
| – Discontinued operations | **–** | – | – | – | – | – | – | – | – | 31.1% |
| | **4.2%** | 4.9% | 9.4% | 10.7% | 10.8% | 10.8% | 10.4% | 9.3% | 8.8% | 10.1% |

## Consolidated Statement of Financial Position

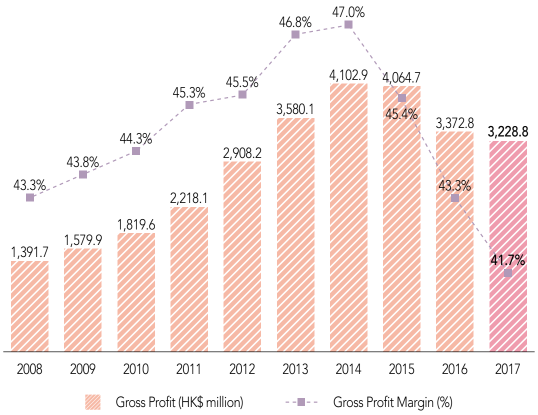
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total assets | **2,929,077** | 2,971,503 | 3,390,073 | 3,237,427 | 2,797,241 | 2,466,500 | 1,876,511 | 1,569,485 | 1,408,912 | 1,436,062 |
| Total liabilities | **(709,911)** | (683,217) | (915,565) | (912,298) | (821,767) | (835,676) | (523,818) | (384,711) | (291,856) | (333,967) |
| Net assets | **2,219,166** | 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 |
| Shareholders' funds | | | | | | | | | | |
| Share capital | **299,444** | 289,213 | 284,468 | 284,306 | 282,691 | 281,467 | 280,253 | 139,131 | 138,125 | 137,894 |
| Reserves | **1,919,722** | 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 |
| Total equity | **2,219,166** | 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 |



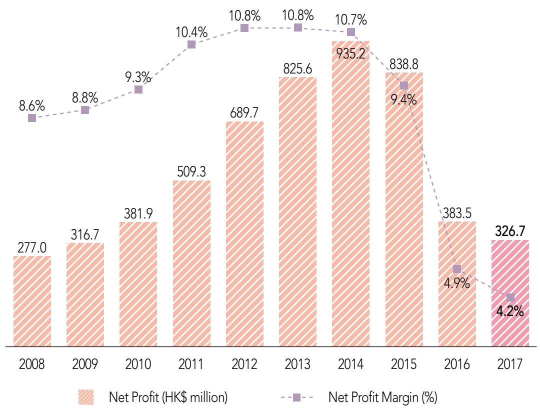
## Turnover
(Retail & Wholesale Business)



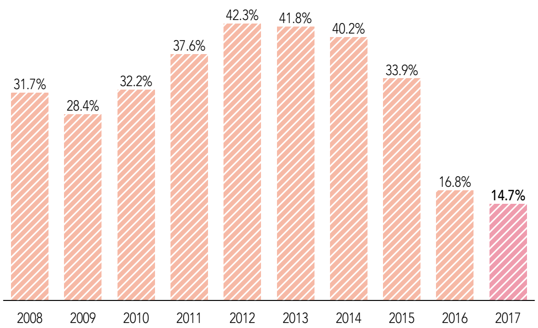

## Gross Profit and Gross Profit Margin
(Retail & Wholesale Business)



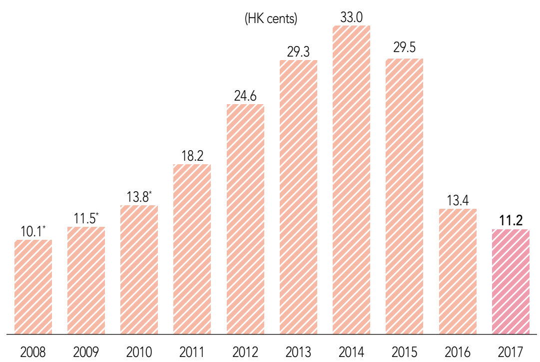

## Net Profit and Net Profit Margin
(Retail & Wholesale Business)




## Return on Equity
(Retail & Wholesale Business)




## Basic Earnings Per Share
(Retail & Wholesale Business)




* Adjusted for the 1:1 Bonus Issue

## Consolidated Statement of Cash Flows

| | 2017<br>HK$'000 | < Note 2 ><br>2016<br>HK$'000<br>Restated | < Note 2 ><br>2015<br>HK$'000<br>Restated | < Note 2 ><br>2014<br>HK$'000<br>Restated | < Note 2 ><br>2013<br>HK$'000<br>Restated | < Note 2 ><br>2012<br>HK$'000<br>Restated | < Note 2 ><br>2011<br>HK$'000<br>Restated | < Note 1 & 2 ><br>2010<br>HK$'000<br>Restated | < Note 1 & 2 ><br>2009<br>HK$'000<br>Restated | < Note 1 & 2 ><br>2008<br>HK$'000<br>Restated |
|---|---|---|---|---|---|---|---|---|---|---|
| Net cash generated from operating activities | **356,723** | 578,922 | 1,069,606 | 1,021,080 | 846,245 | 639,477 | 443,103 | 414,655 | 334,498 | 328,320 |

## Per Share Data and Key Ratios

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Basic earnings per share (HK cents) (Note 3) | | | | | | | | | | |
| – Continuing operations | **11.2** | 13.4 | 29.5 | 33.0 | 29.3 | 24.6 | 18.2 | 13.8 | 11.5 | 10.1 |
| – Discontinued operations | **–** | – | – | – | – | – | – | – | – | 2.6 |
| | **11.2** | 13.4 | 29.5 | 33.0 | 29.3 | 24.6 | 18.2 | 13.8 | 11.5 | 12.7 |
| Diluted earnings per share (HK cents) (Note 3) | | | | | | | | | | |
| – Continuing operations | **11.2** | 13.4 | 29.5 | 32.9 | 29.2 | 24.4 | 18.1 | 13.7 | 11.5 | 10.1 |
| – Discontinued operations | **–** | – | – | – | – | – | – | – | – | 2.6 |
| | **11.2** | 13.4 | 29.5 | 32.9 | 29.2 | 24.4 | 18.1 | 13.7 | 11.5 | 12.7 |
| Return on equity | **14.7%** | 16.8% | 33.9% | 40.2% | 41.8% | 42.3% | 37.6% | 32.2% | 28.4% | 31.7% |
| Dividend per share (HK cents) (Note 3) | | | | | | | | | | |
| Basic | **12.0** | 14.0 | 14.0 | 13.5 | 7.5 | 5.5 | 4.0 | 4.0 | 4.0 | 4.0 |
| Special | **5.0** | 9.5 | 9.5 | 10.0 | 13.5 | 12.0 | 10.0 | 10.0 | 7.5 | 6.5 |
| Total | **17.0** | 23.5 | 23.5 | 23.5 | 21.0 | 17.5 | 14.0 | 14.0 | 11.5 | 10.5 |
| Dividend payout ratio | **154.9%** | 176.1% | 79.7% | 71.4% | 71.9% | 71.4% | 77.1% | 102.0% | 100.3% | 83.0% |
| Dividend yield as at 31 Mar (Note 3) | **5.6%** | 9.8% | 6.2% | 3.8% | 2.8% | 3.9% | 3.5% | 4.6% | 9.5% | 7.2% |
| Closing share price as at 31 Mar (HK$) (Note 3) | **3.06** | 2.41 | 3.79 | 6.22 | 7.51 | 4.50 | 3.97 | 3.03 | 1.21 | 1.45 |
| Price/Earnings (times) | **27.4** | 17.9 | 12.8 | 18.8 | 25.7 | 18.3 | 21.8 | 22.0 | 10.5 | 11.4 |
| Net assets value per share (HK$) (Note 3) | **0.74** | 0.79 | 0.87 | 0.82 | 0.70 | 0.58 | 0.48 | 0.43 | 0.40 | 0.40 |
| Current ratio (times) | **3.81** | 3.90 | 3.31 | 3.05 | 2.82 | 2.47 | 3.09 | 3.57 | 4.31 | 3.76 |
| Gearing ratio | **–** | – | – | 3.4% | – | – | – | – | – | – |

## Operational Data

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Number of retail outlets | **288** | 291 | 287 | 280 | 260 | 249 | 205 | 173 | 150 | 124 |
| *– Multi-brand "Sasa" stores* | ***286*** | *287* | *281* | *271* | *249* | *227* | *181* | *150* | *125* | *110* |
| *– Single-brand stores/counters* | ***2*** | *4* | *6* | *9* | *11* | *22* | *24* | *23* | *25* | *14* |
| Total gross retail area (rounding to the nearest thousand sq ft) (Note 4) | **613,000** | 614,000 | 628,000 | 648,000 | 572,000 | 513,000 | 367,000 | 298,000 | 245,000 | 226,000 |
| Stock turnover days | **99** | 91 | 103 | 108 | 111 | 125 | 109 | 90 | 84 | 94 |
| Number of employees (rounding to the nearest hundred) | **4,900** | 4,900 | 5,000 | 5,000 | 4,800 | 4,300 | 3,500 | 2,800 | 2,600 | 2,300 |

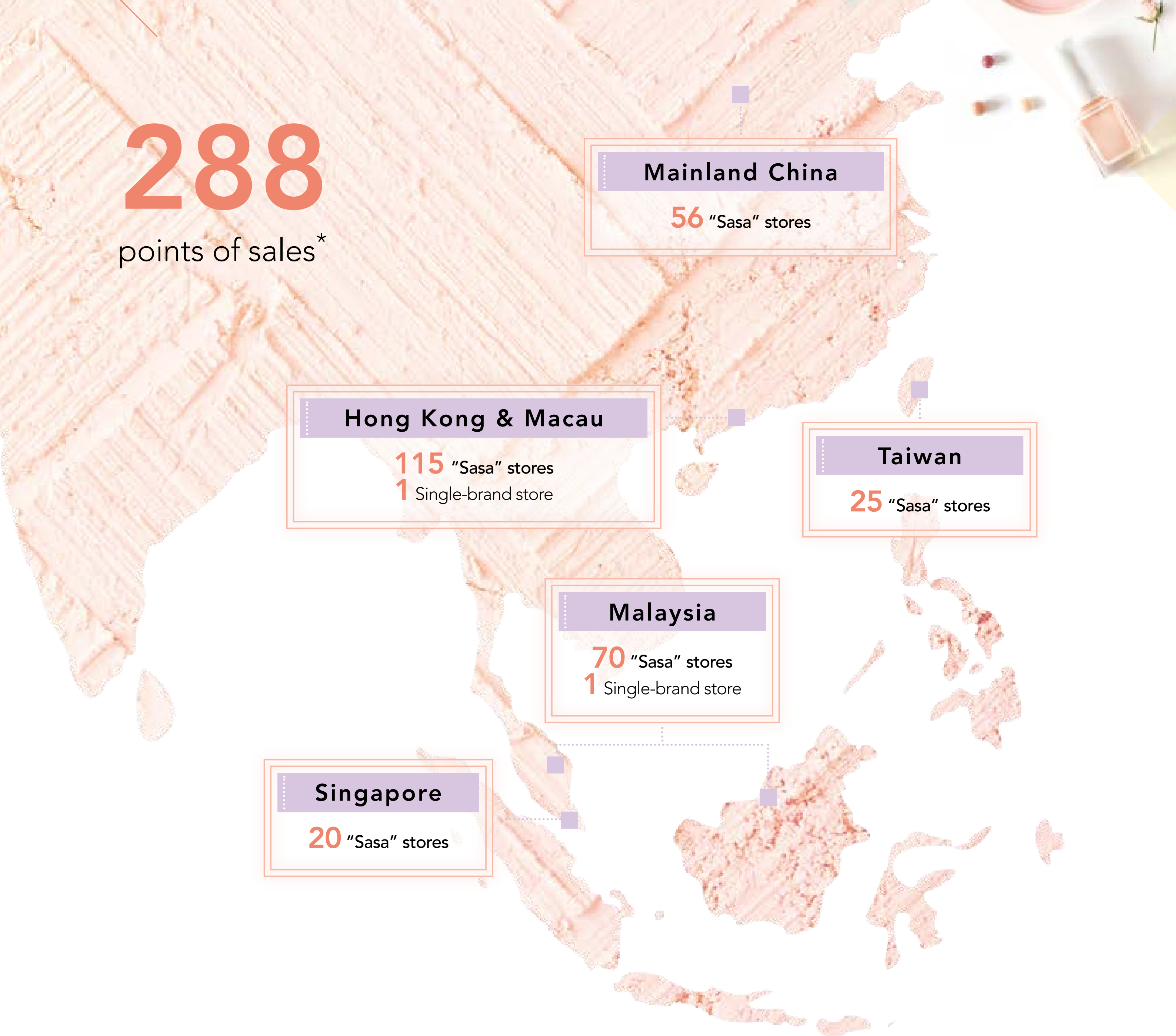
Note:

1) In 2011, the Group had changed its accounting policy for measurement of leasehold building to cost less accumulated depreciation ("cost model") instead of fair value amounts less subsequent depreciation. This change meant that the building component and the more significant land component of property leases were measured on the same cost basis. The change had been applied retrospectively to remaining useful lives at the date of change of accounting policy.
2) Prior to 1 April 2016, the Group recognised certain incentives received from suppliers as part of its revenue or offset against the Group's selling expenses. During the year end 31 March 2017, the Group has revisited its arrangements with its suppliers and considered incentives received from suppliers for which the Group did not provide any separable identifiable promotion service, should be accounted for as a reduction of its cost of sales. Adjustments have been made to reclassify the comparative information to conform with the current year presentation.
3) Figures from 2008 to 2010 has been adjusted for the 1:1 Bonus Issue.
4) The information on retail space provided is intended to allow the readers to appreciate the growth in retail network and the size of retail space only. As there are significant variations 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

# 288

points of sales*




## Group Retail Network in Asia

| | As at 31 March 2017 | |
|---|---|---|
| | Multi-brand "Sasa" Stores | Single-brand Stores/Counters |
| Hong Kong & Macau | 115 | 1 |
| Mainland China | 56 | – |
| Singapore | 20 | – |
| Malaysia | 70 | 1 |
| Taiwan | 25 | – |
| **Total** | **286** | **2** |

*As at 31 March 2017


# fragrance


TRUSSARDI
DONNA
CRISTAL ROYAL
GIANFRANCO
FERRÉ
CAMICIA 113

# AWARDS AND RECOGNITIONS

## Corporate Governance and Management

The Group's Vice-chairman, Dr Eleanor Kwok was honoured "Asian Social Caring Leadership Award" by Social Enterprise Research Institute in recognition of her distinguished contribution in corporate innovation and sustainability.

The Group clinched the "Award for Corporate Governance Excellence" and "Award for Sustainability Excellence" in the Hong Kong Corporate Governance Excellence Awards 2016 jointly organised by The Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance and Financial Policy of Hong Kong Baptist University.

# *Awards* & Recognitions

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, CFO and Executive Director)
- Best IR Presentation Collaterals


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



The Group was ranked in the "Global Top 50 Silver 2016" by the internationally respected IR Magazine and was one of the seven companies from Greater China among this ranking.



The Annual Report 2015/16 clinched the "Honourable Mention" for the first time in the 2016 Best Annual Reports Awards organised by the Hong Kong Management Association (HKMA).


The Group was ranked in the top 50 Chinese Annual Reports by the League of American Communications Professionals (LACP) in the 2015 Vision Awards Annual Report Competition this year, and the Annual Report 2014/15 also received Gold award in the "Consumer Services – Other" category.


The Group has won two awards in the 2016 International ARC Awards with its "PINK Style – Making Life Beautiful" Annual Report 2014/15, including Gold in "Printing & Production (Retail – Specialty Stores)" and Honours in "Cover Photo/Design (Retail – Specialty Stores)".



2016
galaxy
awards
The 27th Annual International Competition
for Excellence in Product & Service Marketing
SILVER WINNER
Toppan Vite Limited
SaSa International Holdings Limited
SaSa Annual Report 2015-2016
Design - Bound Publications: Annual Reports - Traditional: Hong Kong


The Group has won Silver in "Design – Bound Publications: Annual Reports – Traditional: Hong Kong" in the 2016 Galaxy Awards with its "Be Trendy, Enjoy Life" Annual Report 2015/16.

## Brand Recognition


The Group's online shopping platform sasa.com was ranked third in "Weibo Ten Most Influential Hong Kong Corporations" at Weibo Star 2016 Award Ceremony.

China Media Network (CMN) elected Sa Sa as the winner of "World's Excellent Brands Awards 2016-17".



The Group was named one of the "Retail Asia-Pacific Top 500" by Retail Asia Magazine, a credible magazine in Asia, for the 13 consecutive years, holding the 240th place.

## Service Excellence


The Group has received a total of six accolades – three "Mystery Shoppers Programme 2016" Awards and three "Service and Courtesy Awards" from the Hong Kong Retail Management Association (HKRMA).

# Awards & Recognitions

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

The Group received several prestigious awards in Cosmetics, Personal Care Products and Specialty Store category at Outstanding QTS Merchant and Service Staff Awards 2017, organised by the Quality Tourism Service Association (QTSA).


The Group has been awarded "Tourists' Choice" at the Hong Kong Service Awards 2017 organised by East Week Magazine. This is the ninth 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 for five years. It was rewarded the Gold Certified Label for the fourth 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 was accredited as Manpower Developer from 2015-17 by the Employees Retraining Board.

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 more than 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.

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 International Chamber (JCI), in recognition of its effort in driving Hong Kong towards a low carbon city.

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

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

## Awards Presented to Sa Sa's Exclusive Products

### Hong Kong







# Awards & Recognitions

### Cosmopolitan Best of the Best 2016

- **Best Acne Treatment – Champion**
  Dr.G A-Clear Spot Repairing Serum
- **Best Shaping Product – Champion**
  COLLISTAR Anticellulite Slimming Superconcentrate Night
- **Best Night Care Product – 2nd Runner Up**
  NUXE Nuxuriance® Ultra Replenishing Night Cream
- **Best Cleanser – 2nd Runner Up**
  banila co. Clean it Zero Foam Cleanser
- **Best Exfoliator/Peeling Product – 2nd Runner Up**
  Neogence MPA Facial Radiance Kit
- **Best Refining Treatment – 2nd Runner Up**
  BRTC Centella 90 Ampoule
- **Best Shaping Product – 2nd Runner Up**
  Methode Jeanne Piaubert Expressive Slimming Body Cream for Stubborn Cellulite – 15 days

### More Best of the Best 2016

- **Best CC Cream**
  banila co. it Radiant CC Cream SPF30 PA++

## Singapore



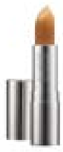
# Awards & Recognitions

**SWW Hair Award 2016**
- **Hair Awards 2016**
  Camille Albane La BB Crème
  Camille Hair Beauty Care
- **Hair Awards 2016**
  Haruhada Horse Oil Treatment

**CLEO's Guy Stuff Awards 2016**
- **Sexiest Fragrance**
  Mauboussin Pour Lui In Black EDP

**CLEO Clear Skin Awards 2016**
- **Oily Skin – Cleanser**
  Erno Laszlo Sea Mud Deep
  Cleansing Bar

## Malaysia



# Awards & Recognitions

### Citta Bella Beauty Awards 2016

- **Best Blusher**
  Chosungah Real Cheek Smoother
- **Best Hair Care Intensive Treatment**
  Haruhada Horse Oil Hair Treatment

### The Weekly Best Beauty Buy Awards 2016

- **Best Eye Mask**
  Suisse Programme Collagex Eye Renewing Mask

### Her World Beauty Awards 2016

- **Best Corrector**
  Dr.Young AC Out Spot Stop Serum
- **Best Liquid Foundation**
  Cyber Colors Black Label Essence UV Liquid

### Cosmopolitan Whitening Awards 2016

- **Best Whitening Soap Bar**
  Erno Laszlo White Marble Treatment Bar
- **Best Whitening Primer**
  Neogence Whitening Corrective Primer Green

### New Tide Readers Choice Awards 2016

- **Best Lipcare**
  SUISSE PROGRAMME 24 Hour Lip Guard
- **Best Gel Cream**
  Dr.G Aquasis Water Soothing Gel Cream
- **Best Hydrating Product**
  Dr. Wu Hydrating System Intensive Hydrating Gel

# cosmetics


Eleanor
the miracle key
FACE PRIMER
SPF 24 PA++
VOL.
22
CONCEALER

# 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 online shopping of beauty products.

## 2002

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

## 2005

First Mainland store in Shanghai, China.

## 2006

First Suisse Programme beauty counter in Mainland China.

## 2009

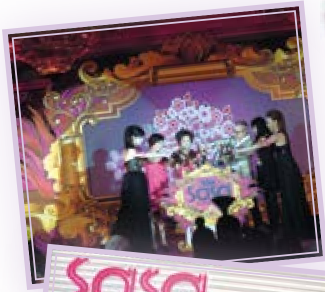
First Suisse Programme specialty store in Hong Kong.

## 2011

The Group's 200th store in Asia.

## 2013

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




## 2014

Title sponsor for the "Sa Sa Ladies' Purse Day" for 10 consecutive years.

## 2016

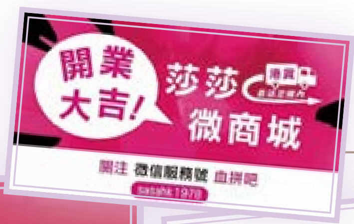


- Opening of Sa Sa Boutique and SHINE.
- Strategic partnership with Tencent and JD Group.
- First O2O store opened in Shanghai.

## 2015

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


## 2017






- Sa Sa Mall was launched on WeChat.
- Sasa.com Mobile App has been launched in China market.
- Strategic cooperation agreement with NetEase's cross-border e-commerce platform Kaola.

# Méthode SWISS


Méthode SWISS
BEAUTY CARE
YOUTH RECOVERY ESSENCE CREAM
ESSENCE REGENERANTE JEUNESSE CRÈME
Méthode SWISS
BEAUTY CARE
YOUTH RECOVERY
ESSENCE LOTION
ESSENCE REGENERANTE
JEUNESSE LOTION
Méthode SWISS
BEAUTY CARE

# CHAIRMAN'S STATEMENT

"We continue our commitment to the expansion of our business, to providing outstanding customer services, to offering a premium shopping experience for our customers, and to upholding our position as a leading cosmetics retailer in the Asian region."

**Dr Simon Kwok,** *SBS*[◊]*, JP*
Chairman and Chief Executive Officer

I hereby report that Sa Sa International Holdings delivered a weaker performance for the year ended 31 March 2017 (the "financial year") in an environment of slower economic growth, a less strong Renminbi and changing consumer preferences.

Against the backdrop of keener online and offline competition and a continued slowdown in growth of Mainland Chinese tourist spending, turnover reached HK$7,746.2 million, a slight decrease of 0.6%, while profit decreased by 14.8% to HK$326.7 million. Our retail outlets decreased from 291 to 288 across the region due to network rationalisation. Although the market environment remains challenging, with our overseas and online operations underperforming, we saw encouraging signs of stabilisation in the second half of the financial year.

The Group is committed to generating sustained and consistent returns to our shareholders. The Board of Directors proposes a final dividend of 8.0 HK cents per share, making a total annual dividend for the financial year of 17.0 HK cents per share after taking into account the interim dividend of 5.0 HK cents per share paid together with a special dividend of 4.0 HK cents per share. Subject to shareholders' approval, the final dividend will be payable in cash with a scrip dividend alternative.

[◊] Since 30 June 2017

## Market Environment – Still Challenging

In our core market of Hong Kong and Macau, retail sales have been a major beneficiary of the Individual Traveller Scheme first launched in 2003. However, this reliance has made us vulnerable to uncertainties in the market.

The one-trip-per-week restriction imposed in 2015 on Shenzhen residents for Hong Kong travel saw same-day visitor numbers fall on a year-to-year basis and these numbers have continued to decline. In addition to a general slowdown in Mainland Chinese tourist arrivals, there has also been a structural adjustment in the mix of first and second tier city versus lower tier city tourists, of overnight and same-day tourists, and of their spending habits. Hong Kong's strong currency has made it difficult to attract tourists for shopping while at the same time stimulating local outbound travel.

However, the decrease in the number of Mainland tourists visiting Hong Kong slowed and numbers began to rise in the last quarter of the financial year. This suggests that the effect of the one-trip-per-week policy on same-day visitation has now been almost fully absorbed.

During the financial year, medicines and cosmetics sales in Hong Kong grew 2.2% while the overall retail market declined by 5.2%. During the same period, cosmetics and sanitary articles sales in Macau grew by a robust 8.6%, while the overall retail market declined slightly by 0.5%, indicating that the cosmetics industry continues to perform reasonably well.

The Central Government has listed Macau tourism as a key focus for economic stimulus. Macau's attractions are expanding rapidly to attract and accommodate tourists. We are optimistic that the retail sector in Macau will show increasingly positive growth.

Overall our sales and profitability in Hong Kong and Macau weakened but began to show signs of stabilising. Our combined sales in Hong Kong and Macau remained broadly flat as we strategically adapted our business operations to respond more closely to customer and market needs. However, leveraging our market awareness, we changed the product mix to adapt more quickly to evolving consumer preferences.

We also implemented a more cautious store network strategy and consolidated our network of stores to be more sales and cost effective. Further strategies have included centralising and streamlining work processes to improve operational and cost effectiveness, and enhancing store productivity. We are also remapping our product strategy with an emphasis on agility, effectiveness and efficiency, in order to respond to growing demand and to recapture our brisk sales and solid growth.

To enhance the competitiveness of our product portfolio, we have been eliminating underperforming SKUs to make way for new and productive SKUs. We are also focusing 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 challenging Hong Kong retail environment, the Group has adjusted our strategy in our non-Hong Kong markets. We have intensified our focus on e-commerce and we have taken decisive steps to integrate our online and offline operations ("O2O") in Hong Kong and China to provide an enhanced O2O shopping experience to customers, as well as to serve Mainland tourists after they have left Hong Kong to return home.

We have also sharpened our critical analysis of the profitability and efficiency of our non-Hong Kong markets' operations. We have improved our product offerings to align them more closely with the latest market trends and consolidated our store network in Singapore and Taiwan to improve store level contribution. We have also continued with our network expansion in Malaysia to exploit our market leading position.

In Mainland China, we have continued to build our management team and adjust our strategies to adapt to this important and evolving market. We have taken steps to integrate our online offerings into physical stores and facilitated online purchases in these stores to strengthen our product range and to provide an improved shopping experience.

Our new boutique store format has proven to be successful and will continue to be our main format of choice in the China market. This is a strategically important choice given the popularity of online purchases, which makes retail space increasingly available at reasonable cost but which still requires enhanced returns on the space utilised.

The issue of the Terminal High Altitude Area Defense ("THAAD") anti-missile system has had a negative effect on the Group's sales of South Korean products. We have adjusted our product mix and promotional focus in the China market, including the promotion of non-Korean products such as those from Taiwan and Japan.

In Malaysia, we have broadened our customer base to target the ethnic Malay population, and expanded our store network. We have also improved our product offerings to align with the latest market trends and made some very initial investments in digital marketing to enhance the shopping experience, build brand presence and gain market share.

In Singapore, we have continued to restructure our management team and operations, and to consolidate our store network. We have begun to reap the benefits of integrating our Singapore with our Malaysia team with the decline in sales slowing, and both shop and office expenses decreasing. We have enhanced our product offerings to align with the latest market demand, and strengthened our digital presence due to changes in the product mix. However, store level contribution has weakened due to a significantly lower gross profit percentage as a result of these product mix changes.

In Taiwan, we changed the management in November, and the new team began to improve product offerings and bring operations under control. Although there is still plenty of scope for improvement, operations have shown signs of stabilising.

In our e-commerce business, we recorded a significantly weaker performance due to our determination to improve our logistics function in Hong Kong and to establish a new Free Trade Zone warehouse in China. Although both initiatives are strategically vital to improve our fulfillment standards and costs, they were initially poorly executed, which resulted in further elevated costs and damage to customer service. The promotions to drive the e-commerce business were also too price focused, giving rise to unacceptable margins. These two factors significantly impacted our profitability for the year.

Our logistics function is now under better management and we are just beginning to see the first signs of improvement in both Hong Kong and in the Free Trade Zone warehouse in China. However, there is still a long way to go to sharpen our competitiveness, decrease our costs and enhance levels of customer service. When fully realised, the new enhancements will strengthen our operational and cost effectiveness as well as driving up our fulfillment standards, which in turn will improve the customer shopping experience. Losses have been narrowing since the improvements to the logistics function and pricing strategy were implemented in March 2017. We believe that the most difficult times are now behind us.

Overall, we are developing expertise and capabilities that will gradually give more breadth and depth to our customer acquisition and retention efforts. This will enable us to improve the customer experience in vital areas such as shipping lead times where we significantly lag the market, and to drive sales with better recognition of consumers' behaviour, needs and habits. We are committed to increasing resources to improve the shopping experience, as well as our product offerings and marketing effectiveness.

## Pathway to the Future

We believe that although there will still be challenges in the Hong Kong and Macau markets in FY 2017/18, both the market environment and the Group's prospects are gradually stabilising and showing clear signs of improvement. We are confident that Hong Kong will continue to enjoy the advantages of being adjacent to economically robust southern China, and looking forward, we aim to further strengthen the Group's competitiveness and performance.

In terms of product strategy, we will streamline our product portfolio by removing unproductive SKUs. This will allow us to better manage our inventory, reduce carrying costs and make way for new and more productive products and shelf displays. The sourcing process will be enhanced to bring in popular new products, and we will target fast moving trendy products to achieve faster turnover.

In view of the popularity of Asian 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 with Asian beauty brands while continuing to enhance branding and marketing initiatives for our own brands, thereby contributing to the profit margin of the Group. In this context, we officially launched our new own brand "Eleanor" in May 2017 and we will continue to enrich our product mix.

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. This will allow us to run smaller stores, which are more profitable in the current operating environment. The centralisation of operations will further enable us to reduce costs at the store level. We are placing greater 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 cost structure and improve store productivity.

We also aim to generate sales through market differentiation. New store formats such as Sa Sa Boutique will target different customer segments while also increasing market share, particularly for the local segment. In terms of O2O and cross border e-commerce, greater efforts in digital marketing and in the integration of our online and offline CRM will ensure an improved shopping experience. Such initiatives will help 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 premier 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 rapid changes in the market environment, our services, training and incentives are all developing to cater for innovative product offerings and more digital interactivity that align with evolving consumer preferences – both in terms of product affinity and the 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, as well as excellent after sales service such as post-order fulfillment. We are therefore making sustained efforts to integrate our online and offline customer database, and to enhance our logistics support. Online efforts include more sophisticated digital marketing, social media interactivity and offline initiatives such as enhancing the in store shopping experience with attractive product placements and store displays.

## Delivering Our Vision

We aim to respond to forthcoming market challenges with flexibility and decisiveness. We are committed to expansion according to a strategy that is both disciplined and forward thinking. Although we are somewhat cautious about the short-term outlook, we are confident of the long-term sustainability of our business, not only in our Hong Kong stores, but also in 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 with 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 intense competition and general weakness in the retail market. As part of our investments towards a more effective and scalable operation in Hong Kong and Macau, we are moving into new warehouse facilities in the new financial year. The new facilities will consolidate our current multiple warehouse workflows into one and allow automation to increase efficiencies. This will include an estimated CAPEX of approximately HK$77 million and a one-off estimated relocation expense of approximately HK$40 million.

The new warehouse will allow us to consolidate four dispersed warehouses into one, further enabling automation, and resulting in space and manpower savings of over 10%. Handling efficiency will also be increased, allowing faster execution of goods in and goods out and cutting short lead times for deliveries to our stores in Hong Kong and Macau.

A new mobile app will be launched in the second half of FY 2017/18, followed by a variety of new supporting services, in order to enhance interaction with customers and the overall shopping experience. We are confident that the increasing integration of our O2O operations will better serve our customers and provide a shopping experience that will grow 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 improving the operations of our overseas markets, while working on strategies to adapt and cater to the local market conditions of each respective market, and to increase their proportionate contribution.

Finally, we take considerable pride in our commitments as a socially responsible corporate citizen. As the Group continues to expand and grow, we are proud to accelerate our programmes in this area as we celebrate our commitment to "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 deepest appreciation to everyone who has contributed to the Group's performance and long-term sustainable growth. No matter what challenges the future may bring, I firmly believe that the Group's financial robustness, our adaptability and resilience, and our strong governance and development strategies will ensure that we are able to rise to meet the future. The Group has a long track record of durability and success in all economic circumstances. We continue our commitment to the expansion of our business, to providing outstanding customer services, to offering a premium shopping experience for our customers, and to upholding our position as a leading cosmetics retailer in the Asian region.

**Simon Kwok**
Chairman and Chief Executive Officer
Hong Kong, 15 June 2017

# SUISSE PROGRAMME


SUISSE
PROGRAMME
CAVIAR
LIFTING SOLUTION
SOLUTION LIFTANTE
SUISSE
PROGRAMME
CAVIAR
LIFTING AMPOULES TREATMENT
TRAITEMENT AMPOULES LIFTANTES

| The Group's Turnover | Retail Sales In HK & Macau | The Group's Profit |
|---|---|---|
| HK$ 7,746.2 million | HK$ 6,185.4 million | HK$ 326.7 million |
| 0.6% | – | 14.8% |

## Consolidated Income Statement For The Year Ended 31 March 2017

| | Full year | | First half | | Second half | |
|---|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| | | Restated | **Restated** | Restated | | Restated |
| **Turnover** | **7,746,152** | 7,791,244 | **3,602,117** | 3,754,671 | **4,144,035** | 4,036,573 |
| **Cost of sales** | **(4,517,334)** | (4,418,416) | **(2,097,055)** | (2,119,909) | **(2,420,279)** | (2,298,507) |
| **Gross profit** | **3,228,818** | 3,372,828 | **1,505,062** | 1,634,762 | **1,723,756** | 1,738,066 |
| **Other income** | **107,757** | 117,379 | **55,873** | 58,832 | **51,884** | 58,547 |
| **Selling and distribution costs** | **(2,622,818)** | (2,690,878) | **(1,275,991)** | (1,328,414) | **(1,346,827)** | (1,362,464) |
| **Administrative expenses** | **(317,224)** | (341,694) | **(161,912)** | (176,808) | **(155,312)** | (164,886) |
| **Other (losses)/gains – net** | **(1,240)** | 3,440 | **(28)** | (823) | **(1,212)** | 4,263 |
| **Operating profit** | **395,293** | 461,075 | **123,004** | 187,549 | **272,289** | 273,526 |
| **Finance income** | **10,105** | 9,380 | **5,268** | 5,775 | **4,837** | 3,605 |
| **Profit before income tax** | **405,398** | 470,455 | **128,272** | 193,324 | **277,126** | 277,131 |
| **Income tax expense** | **(78,693)** | (86,985) | **(32,288)** | (40,304) | **(46,405)** | (46,681) |
| **Profit for the year attributable to owners of the Company** | **326,705** | 383,470 | **95,984** | 153,020 | **230,721** | 230,450 |

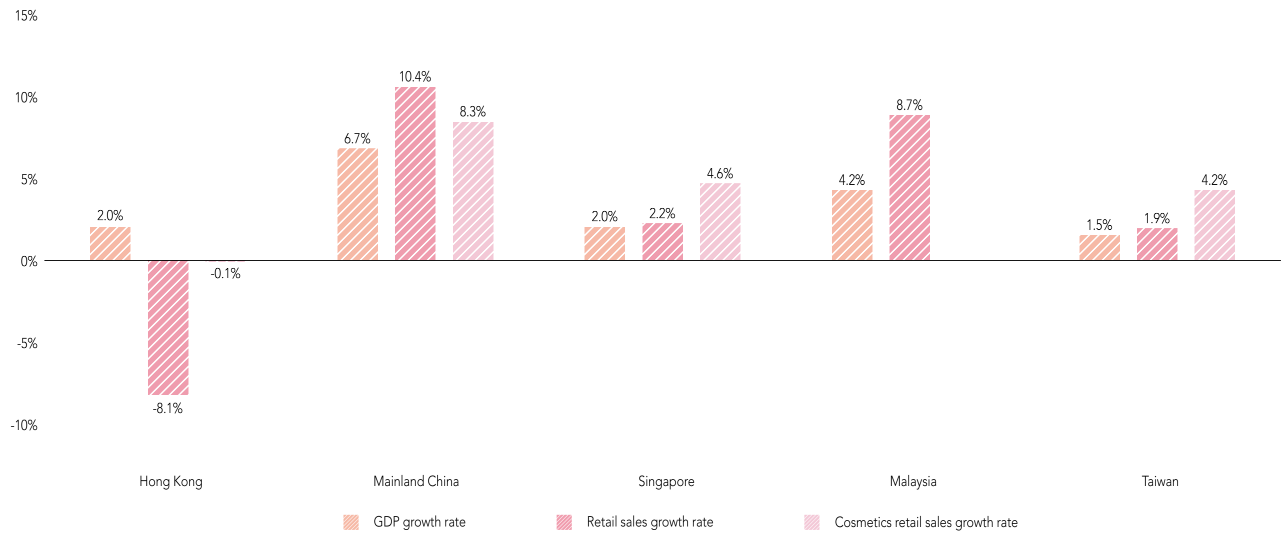
During the financial year, the Group's turnover slightly decreased by 0.6% from HK$7,791.2 million in the previous year to HK$7,746.2 million. Retail sales in Hong Kong and Macau amounted to HK$6,185.4 million, remaining broadly flat as compared with HK$6,184.9 million in the previous year. The Group's retail outlets decreased from 291 to 288, a net decrease of one "Sasa" store and a net decrease of two stores for single-brand counters.

The Group's profit for the year was HK$326.7 million, a decrease of 14.8% over the HK$383.5 million achieved in the last financial year. Basic earnings per share were 11.2 HK cents, as compared to 13.4 HK cents in the previous year. Final dividend proposed is 8.0 HK cents (2016: 14.5 HK cents (final: 9.0 HK cents and special final: 5.5 HK cents)) per share, making a total annual dividend of 17.0 HK cents (2016: 23.5 HK cents) per share for the year ended 31 March 2017, payable in cash with a scrip dividend alternative.

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

## Market Overview

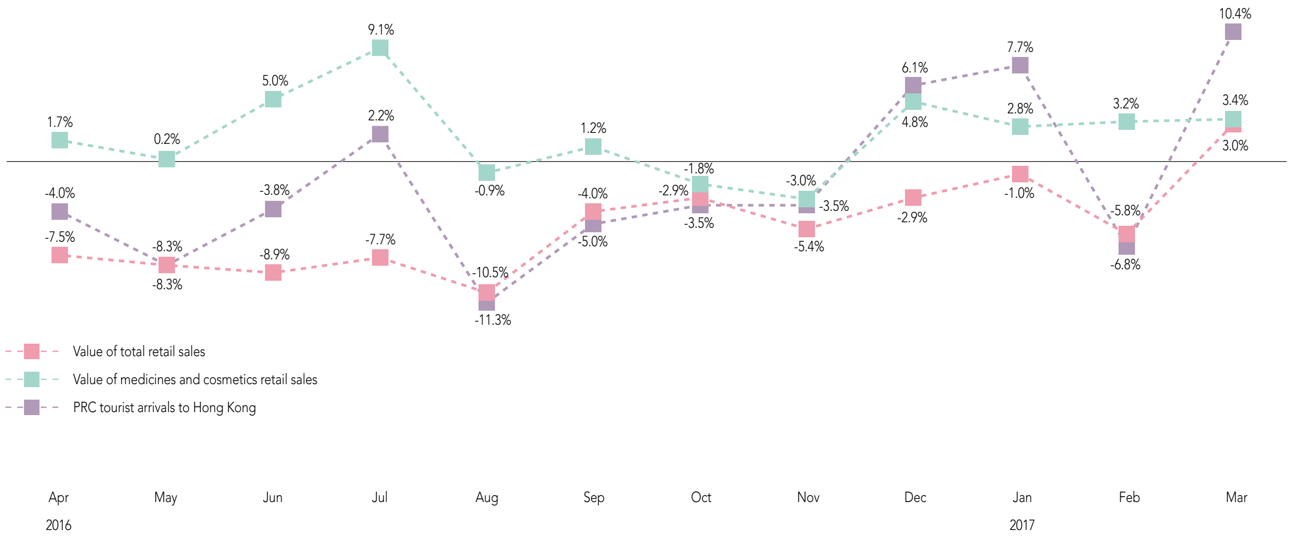
### GDP/Retail Sales/Cosmetics Retail Sales Growth in 2016




Notes:

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

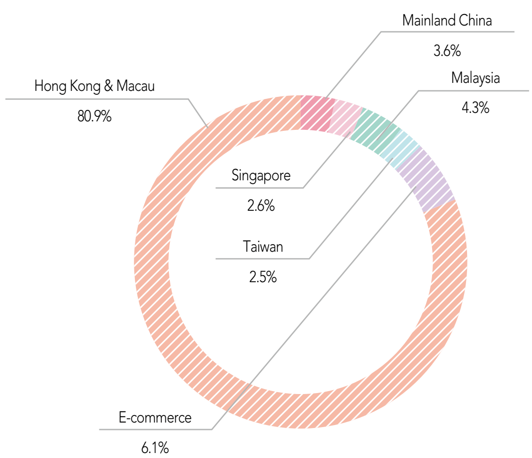
## Year-on-Year Change of Retail Sales Performance in Hong Kong and PRC Tourist Arrivals in Hong Kong




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

## Retail and Wholesale Business

### FY16/17 Turnover Mix by Market




### Store Network by Market

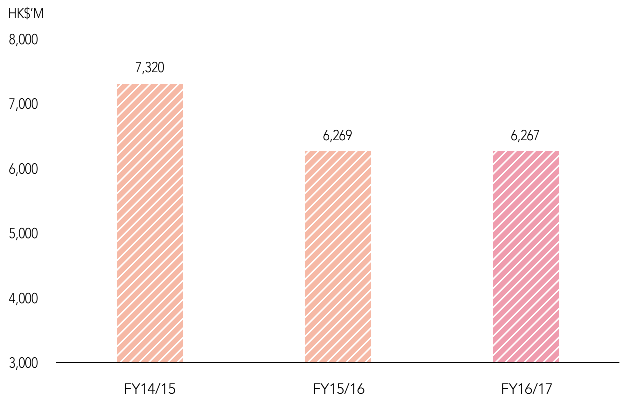
| Multi-brand "Sasa" Stores | As of 31 Mar 2016 | Opened | Closed | As of 31 Mar 2017 |
|---|---|---|---|---|
| Hong Kong & Macau | 111 | 13 | 9 | **115*** |
| Mainland China | 57 | 6 | 7 | **56** |
| Singapore | 23 | 0 | 3 | **20** |
| Malaysia | 65 | 8 | 3 | **70** |
| Taiwan | 31 | 4 | 10 | **25** |
| Total | 287 | 31 | 32 | **286** |

Note:
As at 31 March 2017, there was one single-brand store/counter each in Hong Kong & Macau and Malaysia, totaling 288 retail outlets for the Group.

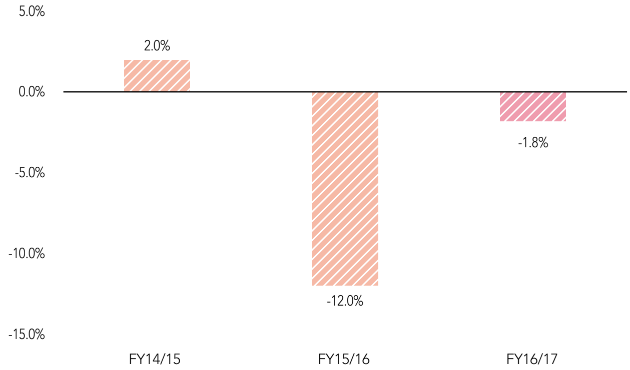
* including six Sa Sa Boutique stores

## Hong Kong and Macau

### Turnover (Retail & Wholesale)



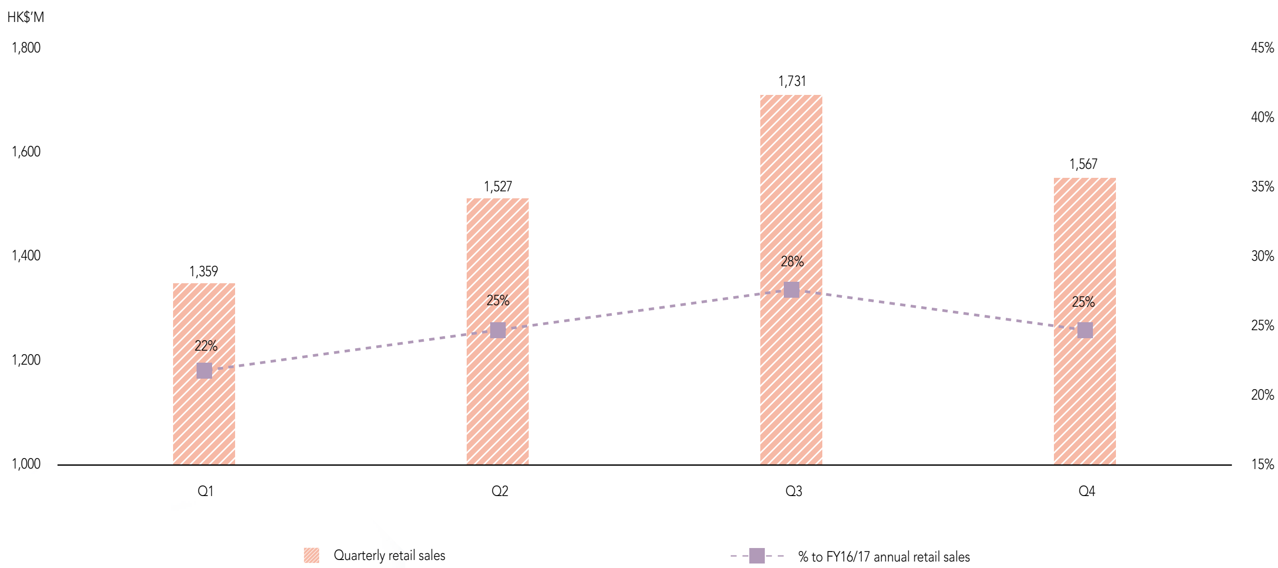

### Same Store Growth




During the financial year, the Group's turnover in Hong Kong and Macau amounted to HK$6,266.5 million, remaining broadly flat as compared with the previous year (HK$6,268.9 million), while same store sales fell 1.8%. The number of transactions started to pick up at 2.9% while the total average sales value per ticket decreased by 2.8%.

To place these figures in context, the number of transactions of Mainland China tourists and local consumers increased by 5.5% and 0.2% respectively; while average sales value per ticket of Mainland China tourists and local consumers decreased by 4.4% and 2.1% respectively.

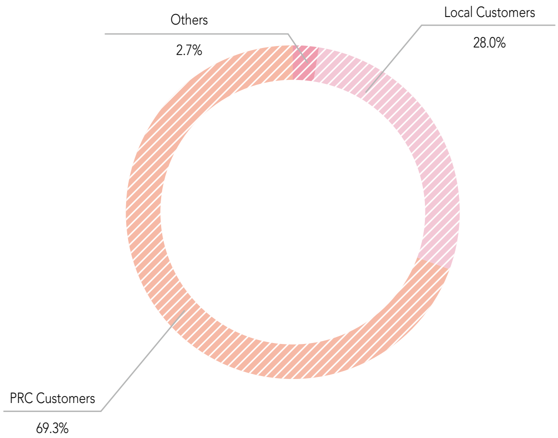
### FY16/17 Retail Sales by Quarter



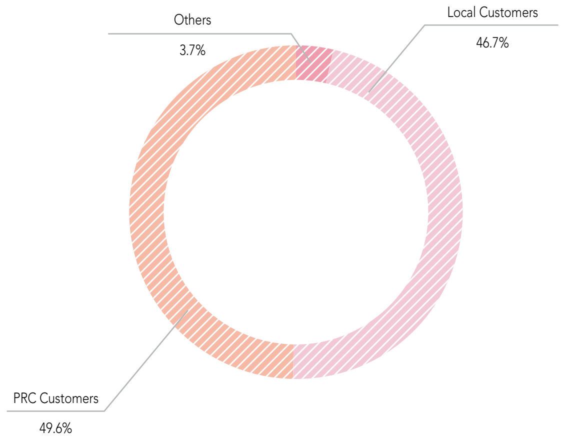

Note: The above data excludes the impact of deferred income adjustment on the customer loyalty programme.

## Customer Mix (for FY16/17 retail sales)

### By Sales Value




### By No. of Transactions




The decrease in retail sales continued to narrow starting from the first quarter, with an increase in retail sales being recorded in the third and fourth quarters. An increase in same store sales was also recorded in the fourth quarter, mainly driven by growing numbers of Mainland China customers, with the number of their transactions also growing by 8.0%.

The overall decline in sales was due to a continued decline in Mainland tourist arrivals in Hong Kong, a weaker Renminbi and changing consumer preferences, as well as the growing preference of local residents for outbound travel. Keener online and offline competition and the evolving nature of the customer journey also played their part.

The moderation in the decline of sales was due to a number of proactive measures taken by the Group. In response to changing consumer preferences, the Group added lower-price trendy Asian products to its range of offerings and expedited product purchasing procedures. The time required for product launch was reduced through flexible and effective sourcing procedures. The optimisation of product mix and improved product display also helped to realise the potential of product sales.

These measures have already made a positive impact on sales. The share of new products as well as trendy Asian products in the total product mix has increased. This has helped drive store traffic and the number of transactions, thereby improving retail performance and recovering Sa Sa's market share. Similar positive factors drove the gradual increase in Mainland tourists' retail sales, which grew by 0.9% over the year.

The seemingly unstoppable decline in the number of Mainland tourists visiting Hong Kong stabilised from the last quarter of FY 2016/17 onwards. According to Hong Kong Tourism Board, since December 2016, the number of overnight visitors from the Mainland grew at a faster rate than same-day visitors. From January to March 2017, the number of Mainland tourists grew by 3.8% as compared with last year, of which same-day visitors increased by 2.2% and overnight visitors increased by 6.4% respectively. These figures suggest that the effect of the one-trip-per-week Central Government policy on same-day visitation has probably been fully reflected. However, the strengthened Hong Kong Dollar encouraged more outbound travel by local residents, adversely affecting their spending in Hong Kong. Retail sales to local customers decreased by 2.0% in the financial year.

During the year, the average sales value per transaction continued to decrease, off-setting the positive effect of an increased number of transactions. This decrease was largely due to rapidly changing consumer preferences with an increasing emphasis on lifestyle. A growing number of consumers prefer to spend money on experiences rather than on products, leading to reduced spending power and a search for lower-price trendy products. The depreciation of the Renminbi also contributed to a slowdown in spending by Mainland tourists. In addition, the lack of human resources for promoting high price point products, house brand products and adding to basket, impacted both top line sales and the contribution of high gross profit items towards the total gross profit.

Gross profit margin decreased from 43.2% to 41.5%. The rapid change in consumer preferences led to a decrease in house brand sales mix from 41.9% to 38.5%. Efforts to drive sales in a slower market by launching a continuous programme of promotions also contributed to a lower gross profit margin. Actions have been taken to tackle the decreased gross profit in this financial year, with the percentage decrease slowly narrowing. The Group is making its own-label portfolio more comprehensive and launching new lower-price owned brands to raise consumers' purchasing desire, which will assist in driving sales and profits. The Group is also expediting new product launches and reinforcing the promotion of high gross profit house brand and new products.

In addition, the Group has implemented stringent cost controls, which have helped to alleviate the pressure on profit. Expenses ranging from shop expenses to administrative expenses all decreased, partially offsetting some of the negative impact of a weaker gross profit margin.

Rental costs are also under control. During the year, the Group adjusted its retail network, relocating certain shops. The result has been that the Group has had to pay duplicated rentals after opening nearby stores in better locations during the transitional period. If the Group had not taken advantage of a weaker rental market to improve the positioning of its stores, the result of rental costs' control would have been more pronounced.

As the rental adjustment cycle continues, market rentals are expected to progressively decrease. However, the positive effect on the Group's rental costs control will only begin to be reflected in the FY 2017/18 results.

### Mainland China

Overall turnover for the Group's Mainland China operations in local currency decreased by 3.9% to HK$276.5 million, while same store sales in local currency terms decreased by 3.4%. The loss for the year amounted to HK$15.1 million.

The main reason for weaker turnover was the delay of new private label product launches while the respective China Food and Drug Administration registrations were processed. As soon as these registrations are completed in the next few months to complement online to offline promotions in the Group's stores, the competitiveness of the Group's product mix will improve. In the FY 2016/17, adjustments to the new warehouse increased operational costs. However, overall warehouse operational costs have started to decrease through various optimisation measures.

Boutique stores of a small size have continued to increase overall profitability, narrowing the overall loss in operations. However, the THAAD issue has had an ongoing and significant impact on the market and consumers in Mainland China, with a corresponding negative effect on the Group's sales of Korean products. The Group has adjusted the product mix and promotional focus in the China market by promoting non-Korean products such as those from Taiwan and Japan.

## Singapore

During the financial year, turnover for the Singapore market was HK$200.7 million, a decrease of 9.7% in local currency terms, while same store sales dropped by 7.6% in local currency.

The total retail space in the Singapore property market has continued to increase over the last two years, diluting the traffic to our existing stores and leading to a decrease in turnover.

The decrease in gross profit was also caused by deleveraging as a result of sales contraction, and a decline in the sales of house brand products. The Group's performance in Singapore was further affected by the high turnover rate in the management team. This has made it difficult to build the requisite knowledge bank, and therefore has reduced management's effectiveness in a difficult market environment.

The Group restructured the management team in Singapore in the first half of the financial year, allocating higher performing management resources from Malaysia to assist Singapore operations. This has helped to control costs and improve management effectiveness. The decrease in sales narrowed in the second half as compared to the first half of the financial year.

The Group also rationalised the store portfolio during the year. These initiatives helped to improve same store sales performance significantly in the second half of the financial year.

Product offerings were aligned with the latest market demand, and the Group's digital presence was strengthened due to changes in the product mix. However, a significantly lower gross profit percentage as a result of these product mix changes impacted store level contribution.

## Malaysia

The Group's turnover in our Malaysia market was HK$332.1 million, an increase of 12.4% in local currency terms, while same store sales increased 6.2% in local currency.

The fundamentals of the Group's business in Malaysia are strong. Driven by a robust retail network and effective marketing campaigns, the Group's sales performance in Malaysia out-performed its competitors and the overall retail market.

However, due to a high base factor in the previous financial year, a faltering economy, declining consumer spending power, and the allocation of some management resources to Singapore, sales performance in the second half of the year was weaker – although performing better than the overall market.

## Taiwan

Turnover in the Group's Taiwan business during the financial year decreased to HK$195.1 million, representing a drop of 24.4% in local currency terms, while same store sales fell by 16.8% in local currency.

Sales performance was affected by poor consumption sentiment and the continuous decrease in Mainland Chinese visitors to Taiwan. The earlier restructuring of the management team led to deterioration in sales performance in the first half of the financial year. The current new management team has improved inventory management, which in turn has resulted in slower sales decline.

The Group continues to improve Taiwan's performance by strengthening the management team and rationalising the store network, increasing the profitability of profitable shops, and closing those with lower productivity.

## E-commerce

Turnover for the Group's e-commerce business amounted to HK$475.2 million, an increase of 9.5% over the previous financial year.

A decrease in sales in the first half of the financial year was the result of the Group switching to a new logistics provider in April 2016. The operational costs of the new provider were high but efficiency was low, resulting in lengthy fulfillment lead times and lower sales. As a result, the Group re-appointed the original logistics provider.

The increased movements of inventory due to order cancellations and the parallel running of two warehouses led to significant extra costs and losses. Compensation was made to customers with cancelled orders because of delivery problems caused by the relocation of the warehouse.

However, aggressive promotions in the second half of FY 2016/17 helped drive higher sales, which were supported by improvements in customer order fulfillment due to the reversion of logistics back to the original service provider. Gross profit margin declined during the second half due to these promotions while a new Free Trade Zone warehouse added to costs because of early stage inefficiencies.

The Group is restructuring operational flow to support multi-platforms and warehouses. Automation of processes is being implemented to improve efficiency and reduce costs, thereby enhancing the customer shopping experience. Studies are also underway to install new digital back-end systems and infrastructure to support sustained growth. Towards the end of the second half, measures were taken to address high losses with low product prices being adjusted upwards, minimum spending for free delivery raised, and delivery costs and times reduced.

## 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 41.0% to 38.0%.

To enhance product competitiveness and attract traffic in a slower market, the Group strategically broadened its product offerings to include more parallel import products that are faster time to market. High-price house brand products underperformed due to consumers preferring mid- to low-price products.

Limited resources in the product development team adversely affected the timeliness of our response to this fast-changing market, with new product launches still not rolling out as promptly as the market expects.

## Outlook and Strategies

The Hong Kong and Macau markets are the Group's major sources of sales income and profits. Although there are still uncertainties in these markets, they are gradually stabilising and showing signs of improvement. However, it is important to note that this improvement is set against the backdrop of last year's very weak base performance, and as such, a more significant and continuous improvement is required to warrant anything more than cautious optimism.

In the FY 2017/18 quarter-to-date (i.e. the period up to 11 June 2017), retail sales in Hong Kong and Macau increased by 3.6% year-on-year (FY 2016/17 1st Quarter: -5.3%) while same store sales decreased by 1.4% year-on-year (FY 2016/17 1st Quarter: -4.9%). Against a backdrop of ongoing regional economic and political instability, the Group will maintain its conservative approach to the business going forward.

As the market continues to gradually stabilise, the Group is working on several fronts to improve gross profit. Measures include expediting new private label product launches and strengthening private labels' sales promotion. In addition, operations at store level are being reviewed so that stores with lagging gross margins can be raised at least to the average level of performance.

Going forward, the Group will strive to improve the overall profits for markets outside of its core markets in Hong Kong and Macau, with a strategic focus on Mainland China. The Group will continue to optimise Mainland China's store network and productivity as well as developing its O2O capabilities and depth in order to achieve a break-even target. In regard to Taiwan and Singapore, which are operating at a loss, the Group will rationalise their operations and control costs, making them easier to manage and more flexible, with less reliance on the Group. In the profit-making Malaysia market, the foundation will be steadied and widened to contribute more to the Group.

The increasing popularity of digital media and e-commerce has fundamentally changed consumer behaviour. The intensifying online competition has also complicated the business environment. To respond to the challenges and seize the opportunities that the changing market has generated, the Group has begun to make changes to its business model in order to strengthen its long-term competitiveness. These initiatives include investment in digital media, exploring online and offline business integration, engaging interactive communications with customers, and improving their overall shopping experience. Clearly, it would be little short of a miracle to enact all these changes in a short time. However, the Group aims to continue to implement changes as our business and the market develop.

### Hong Kong and Macau

It is widely accepted that the decline in the Hong Kong retail market is mostly over and that the market is on the path towards stability, although this improvement requires stronger ongoing evidence to justify bolder optimism. During the financial year, the decrease in the number of Mainland Chinese visitors eased and a 6.1% increase was recorded in December 2016. The combined number of Mainland Chinese visitors in January and February 2017 increased slightly by 1.1%, whereas the Mainland China tourist figure in March surged by 10.4% as compared to the same period last year. This increase in Mainland Chinese visitors is only relatively recent, and the comparison benefits from a low base last year when Hong Kong was affected by the Mongkok riot. It is true that we have seen positive growth in sales in totality and on a same store basis for the last quarter of the financial year. However, we will continue to monitor the increase in Mainland China inbound travel for signs of sustained improvement.

The depreciation of the Renminbi last year and changing consumer behaviour have led to decreased spending by Mainland Chinese visitors. However, their spending per transaction has grown since March 2017. As a result of the THAAD issue, Mainland Chinese visitors' demand for Korean brands has weakened, even though most trendy Korean products are mid- to low-price. These Mainland customers are partially shifting to non-Korean alternatives, which have a higher average price. This change in buyers' preferences has elevated spending per transaction and could signal that the decline in Mainland Chinese visitors' spending per transaction has finally bottomed out and may even gradually increase.

Korean products contributed significantly to the Group's gradual recovery in sales in the previous financial year. Due to the THAAD issue, this increase has slowed, which has presented the Group with a significant challenge. The Group will rearrange its product mix as well as marketing focus to compensate for the declining sales and attractiveness of Korean products-for example, by shifting emphasis to Taiwanese or Japanese products, which have similar characteristics and price range.

Local consumer confidence in Hong Kong is still weak but has stabilised, mainly due to low unemployment and the strengthening of the stock and property markets. However, the Group does not expect that the next financial year will bring marked improvements, since the Hong Kong market is facing several uncertainties and challenges. One of these challenges is the strong Hong Kong Dollar exchange rate, which encourages the outbound travel of local residents and consequently their spending overseas.

In the face of present and future uncertainties, the Group will continue to optimise its store network positioning and scale in the expectation that this will help market penetration and reduce costs. Seizing the opportunities arising from the rental adjustment cycle, the Group will relocate shops to more attractive locations in order to increase brand exposure and stimulate sales at a reasonable rental level.

Other optimisation measures include increasing stores in residential districts and transportation hubs, which will also grow our market share in Hong Kong. The Group will increase the number of stores in locations near to the border with Mainland China. In the past, the Group has chosen shops with a larger retail area in order to manage high traffic and growth. In the current market circumstances, the Group will focus on the penetration of stores as well as their profitability. In terms of store management, the Group will work on simplifying and centralising work flow, actively reducing the number of SKUs and slow moving products in order to provide more space for new trendy items. The Group remains hopeful that as the market stabilises, good cost control will have a positive effect on the Group's performance.

Competition in the Hong Kong cosmetic industry is still vigorous. With the increasing popularity of digital media and e-commerce, the traditional retail model is being challenged and customer expectations of the shopping experience have changed.

The Group aims at providing a more comfortable shopping environment, launching eye-catching products, strengthening product displays and deepening interactions with customers. These initiatives will make browsing and sampling products more enjoyable, raising customers' purchase intentions, and as a result, offering an improved overall shopping experience.

The Group will also promote other sales strategies as appropriate to adapt to the changing market competition, including optimising store areas, the product mix, product displays and new product launches. These measures will increase store productivity. In addition, Sa Sa's trendy store format will broaden the customer base, attracting more young and male customers. The Group is developing its VIP database and systems to strengthen its customer relationship management, laying a stronger foundation for online sales and O2O business.

## Mainland China

The THAAD issue continues to make a strong impact in Mainland China, negatively affecting the Group's sales of Korean products. The Group has adjusted its product mix, replacing some Korean products with comparable items from other countries.

Online sales continue to rapidly grow, putting pressure on physical stores but also offering opportunities. There are now abundant choices for physical store openings. As rentals come under pressure, rental costs are reducing. These factors have positive potential for the Group's store network expansion.

Utilising its experience of O2O operations in its Shenzhen Qianhai Bay store, the Group will further develop O2O business, increasing its share in the Group's overall operations. The O2O format strengthens the product mix in store, which improves the overall customer shopping experience. The Group will leverage its Hong Kong resources to create a wider and more differentiated range of offerings, introducing more up-to-date and trendy products.

The Group continues to strengthen management through engagement of experienced staff from Hong Kong to improve the attractiveness of its product offerings and strengthen inventory management. The Group aims to improve control processes as well as compliance levels, raising the standard of reporting and upgrading training.

Cost and operational effectiveness are crucial to operations in Mainland China. The Group will raise the operational efficiency of its warehouses to become more efficient in delivering products to warehouses and stores in China, reducing the level of inventory required and overall logistics costs.

Continuous efforts to optimise product importation into China and operational procedures will help to speed up new product launches in stores and improve stock replenishment. Such efforts also have the benefit of reducing stock level and overall costs, including stock holding costs.

## Singapore

In Singapore, the benefits arising from the takeover of operations by the Malaysian management team will continue to be realised as costs gradually come under control and the Singapore operations begin to stabilise. In the future, the Group will maintain its focus on strengthening the Singapore management team and retail network, improving profits of profit-making stores whilst closing down low productivity stores to streamline operations, thereby enabling a more efficient and effective operation.

### Malaysia

The Group has a strong foundation in Malaysia, operating the largest beauty specialty chain in the country in terms of store number and coverage. However, Sa Sa has only recently begun to successfully penetrate the Malay market segment. In the near future, the Group will continue to adjust its product offerings and services in order to speed up the penetration of this customer segment. Building on Sa Sa's strong brand name and high acceptance of its brands, the full potential of the Malaysia market has yet to be realised.

### Taiwan

The restructuring of the Group's management team has led to an improvement in sales performance in the Taiwan market. However, the Taiwan business still faces a number of challenges. One of these is the declining number of Mainland Chinese visitors travelling to Taiwan. The Group will continue to reduce Taiwan's operational scale so that the business can be better and more efficiently managed to help narrow losses.

### E-commerce

The Group is evolving into a multiple platform, multiple warehouse customer oriented business. Therefore, the key to success is to enable our backend functions to support operational flexibility and faster growth. The Group also aims to implement more automation processes, which will assist in smoothing coordination both internally and externally. Automation will streamline logistics, reducing delivery time and fulfillment costs. The primary focus of these strategies is to substantially increase scale and scalability. The Group aims to strengthen cost-effectiveness so that customers with lower spending per transaction can be more quickly absorbed, thereby broadening the customer base and improving customer services.

The Group's Zhengzhou warehouse is undergoing process enhancement, improving coordination between the warehouses in Hong Kong and the Free Trade Zone in Mainland China. This in turn will enhance operational effectiveness and reduce costs. The Group has increased the number of staff at managerial level in its warehouses to assist in streamlining operations for efficiency and cost reduction. From 1 April 2017, spending per transaction to enjoy free delivery has been raised. As logistics continue to improve and delivery time and costs reduce, the minimum spending required for free delivery will be again lowered. This will enable rapid reduction of losses in the e-commerce business.

During FY 2016/17, the Group further expanded its sales channels by cooperating with Kaola.com, in addition to its existing partner JD.com. The Group will leverage on Mainland China's major online platforms and payment methods to increase its exposure and broaden its customer base. In addition, the company will focus on launching new products to attract traffic and boost sales. The Group will continue to explore new sales channels, set content strategy and improve the user experience. Since the Group's online sales through desktop computers is being rapidly overtaken by sales on mobile devices, a new mobile app will be launched in FY 2017/18 to replace the existing one.

### O2O Strategies

The Group's aim in implementing O2O is to provide seamless online and offline services, so that customers will have a more comprehensive and convenient shopping experience. O2O also increases interactions and allows Sa Sa to continue serving Mainland tourists after they have left Hong Kong to return home. In addition, it enables the Group's online product mix to complement that of its physical stores.

Building on its existing advantages in physical stores and brand name, the Group will further develop online business and cooperate with external business partners who are keen to explore O2O opportunities. In addition to utilising its online resources in digital marketing, the Group will also integrate its online and offline CRM platform. This will lay a firm foundation to provide a more tailored shopping experience to customers. Even when these customers are not regular visitors to Hong Kong, interaction can be maintained and they will continue to be served through online interaction and cross border fulfillment. Through these heightened O2O efforts, the Group aims to strengthen customer acquisition and customer loyalty, which in turn will help to increase spending per customer and lead to stronger sales growth.

### Brand Management

The Group understands the importance of accelerating new product launches to adapt to fast changing market trends. Sa Sa will forge close partnerships with suppliers while continuing to enhance branding and marketing initiatives for its own brands.

Low productivity SKUs will be eliminated to dedicate more marketing, shelf space and other resources to new products and existing products with high productivity. This will also reduce product management and storage costs, free up cash resources and reduce the risk of product obsolescence. The Group will restructure its house brands to satisfy the market preference for low- and mid-price Asian products, and will emphasise the development of low- to mid-price own label products.

## Human Resources

As at 31 March 2017, the Group had close to 5,000 employees. The Group's staff costs for the year under review were HK$1,064.4 million. Details on our human resources programs, training and development are set out in the "Environment, Social and Governance Report" and the "Enterprise Risk Management Report" sections of this Annual Report.

## Financial Review

### Capital Resources and Liquidity

As at 31 March 2017, the Group's total equity funds amounted to HK$2,219.2 million including reserves of HK$1,919.7 million. The Group continued to maintain a strong financial position with cash and bank balances of HK$968.7 million. The Group's working capital amounted to HK$1,830.0 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 2017 were HK$2,219.2 million, representing a 3.0% decrease over the funds employed of HK$2,288.3 million as at 31 March 2016.

The gearing ratio, defined as the ratio of total borrowings to total equity, was zero as at 31 March 2017 and 2016.

### 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 2017, 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 2017.

### Capital Commitments

As at 31 March 2017, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK$207.8 million.

## Conclusion

This is not the first year that Sa Sa has experienced a difficult economic environment and the complex challenges of an evolving market. The flexibility and resilience that have stood the Group in good stead in the past have continued into the present, and will enable the Group to focus on its core strengths and sharpen its competitiveness going forward. The Group aims to convert current challenges into opportunities, particularly in its core market of Hong Kong and Macau, and sees significant potential in the development of e-commerce, its integration with physical stores, and offering products that are directly responsive to changing consumer tastes and trends. The Group will therefore maintain its strategic focus on Mainland China and the evolving preferences of Mainland Chinese customers as well as of local and regional customers. This vision will continue to support the Group's position as a leading provider of beauty products in the Asia-Pacific region. The flexibility and resourcefulness of the Group's loyal staff and the long-term vision of its dedicated management team will ensure that Sa Sa continues to deliver sustained growth for many years to come.



# 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,** *SBS*◊*, JP*
Chairman and Chief Executive Officer

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

◊ Since 30 June 2017

## Executive Directors

### Dr KWOK Siu Ming Simon[§^], *SBS*[◊], *JP* Chairman and Chief Executive Officer

Aged 64. 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 39 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 2017 and was selected for the "CAPITAL Leaders of Excellence 2014" by CAPITAL Magazine in 2015. In 2014, he received the "Global Outstanding Chinese Award" from the "Global Outstanding Chinese Association" and was selected for the "Who's Who Leadership Award Scheme" by the Asian College of Knowledge Management. In 2012, he received the "China Cosmetic Retail Industry Special Contribution Award" from the Circulation Industry Promotion Centre of Chinese Ministry of Commerce and the China Beauty Expo Organising Committee. Dr Kwok was an awardee in The Directors of the Year Awards 2011 in the Listed Companies (SEHK – Non Hang Seng Index Constituents) category organised by the Hong Kong Institute of Directors, a winner of the "Owner-Operator Award" at the DHL/SCMP Hong Kong Business Awards 2007 and a winner in the Retail Category in the "Ernst & Young Entrepreneur of the Year Awards China 2006". Dr Kwok was elected University Fellow by The Hong Kong Polytechnic University in 2012, received the degree of Doctor of Business Administration honoris causa from the Open University of Hong Kong in 2011, and an honoris causa doctorate degree in Business Administration from Lingnan University in 2008.

Dr Kwok is an active participant in the work of charities. He is the Second Vice President (2011-14 and 2016-17) of the Community Chest of Hong Kong as well as Campaign Committee Co-Chairman (2007-11, 2015-16), a member (2009-15 and 2016-17) and the First Vice President (2014-15) of the Board of Directors and the Executive Committee Chairman (2014-15), an Honorary President of New Territories Region of Scout Association of Hong Kong (2016-17), a Committee Member of Heifer International (since 2009), an Honorary Advisor of Hong Kong Youth and Professional Network (2015-17), a Board Member of Concerted Efforts Resource Centre (since 2009), Vice-chairman of The Second Board of Hongkong Kowloon Charitable Foundation Association Limited (2014-19), an Executive Board Member of the Hong Kong AIDS Foundation (since 2006), 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 e-Commerce of the Company.

◊ Since 30 June 2017

* 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

## Dr KWOK LAW Kwai Chun Eleanor[Δ#§^], *BBS, JP*[◊] Vice-chairman

Aged 63. 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 Honorable 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 was honoured "Asian Social Caring Leadership Award" by Social Enterprise Research Institute this year. She received "Most Successful Women Awards"by Jessica Magazine in 2016. She was named "2013 Entrepreneur of the Year" in the Asia Pacific Entrepreneurship Awards 2013 Hong Kong by Enterprise Asia and received "The Excellent Award in Hong Kong Beauty Industry 2012/13" from the International CICA Association of Esthetic-CIDESCO Section China in 2012. Dr Kwok won the "Outstanding Women Entrepreneurs" award of the Hong Kong Women Professionals & Entrepreneurs Association in 2008, and received the "World Outstanding Chinese" award from the World Outstanding Chinese Association and World Chinese Business Investment Foundation. 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 Vice President of the Hong Kong Girl Guides Association (since 2012), the Vice President of New Territories Region of Scout Association of Hong Kong (2016-2017), Senator of the Hong Kong Federation of Women (2015-19), the Honorary President of the Hong Kong Federation of Women (since 2005), Committee Member of Hong Kong Federation of Women Entrepreneurs Committee (since 2004), Major Sports Events Committee (since 2015) and was a patron of Caritas Fund Raising Campaign (since 2006). Dr Kwok was also the Chairman (April 2016-March 2017), the Vice-chairman (April 2012-March 2016) of the Board of Directors of Po Leung Kuk, 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.

◊ Since 30 June 2017

## Dr LOOK Guy§^ Chief Financial Officer and Executive Director

Aged 60. Dr Look is the Chief Financial Officer and executive director of the Company, and a director of certain subsidiaries of the Group. Dr Look has over 35 years of experience in local and overseas financial and general management. Prior to joining Sa Sa in March 2002, he was the Chief Financial Officer and an executive director of Tom.com Limited (renamed TOM Group Ltd.). He holds a Bachelor's degree in Commerce and received a degree of Doctor of the University honoris causa from the University of Birmingham, England. Dr Look is an associate member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Dr Look is a member of the Executive Committee and the 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, a non-executive director of the Company. 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.

## Non-executive Director

### Ms LEE Yun Chun Marie-Christine

Aged 57. 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 Directors

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

Aged 68. 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*△#, *GBM, GBS, JP*

Aged 71. 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*△, *GBS, JP*

Aged 70. 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.

## Mr TAN Wee Seng*

Aged 61. Appointed as a non-executive director of the Company on 11 March 2010 and was re-designated from a non-executive director to an independent non-executive director on 26 June 2012. Mr Tan was appointed as the Chairman of Audit committee of the Company on 1 January 2017. Mr Tan is a professional in value and business management consultancy. He is 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 and Chairman of Audit Committee 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 61. 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.

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

Aged 47. Joined Sa Sa in October 2009, Mr Tsoi was promoted to Senior Vice President, Finance and Accounting in April 2016. He has more than 20 years of professional experience in the areas of accounting, financial planning and analysis, treasury and tax planning and senior management. Before joining the Group, he has worked in a Big 4 audit firm and held senior management positions with various renowned multinationals both in the PRC and Hong Kong. Mr Tsoi holds a Bachelor's degree in Business Administration (Graduated with Distinction) from the University of Wisconsin – Madison, USA, and is a fellow member of the Hong Kong Institute of Certified Public Accountants, and overseas member of the Chinese Institute of Certified Public Accountants (CICPA) in the PRC.

### Mr YUNG Leung Wai Tony Senior Vice President, e-Commerce

Aged 54. Joined Sa Sa as Senior Vice President 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, 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

# BEAUTY PROPAGATING

## Bonding with Stakeholders to Build a Sustainable Future


To make our "Making Life Beautiful" journey sustainable, we have embedded this core aspiration into our value creation process for all our stakeholders. Our hope is for this beauty to continue to flourish beyond our time, when our work today will become part of our future's beauty propagation.

Two of our key focuses this year have been acting as both listener and enabler to align the interests of our key stakeholders. The first has involved providing opportunities for more of our stakeholders to engage in our Environmental, Social and Governance ("ESG") strategy as we extend our stakeholder engagement beyond our management team. This meant including our customers, shareholders and non-executive directors in our engagement process while reaching out to a wider group of our talent. The initiative has provided us with further insight into Sa Sa's most significant issues. The second achievement has been the completion of our six key ESG related policies, enriching the Sa Sa's ESG framework and acting as guiding principles for better management of those aspects that are important to us.

Sa Sa's commitment and the efforts invested in our beauteous future were recognised by a number of institutes this year, including Hong Kong Chamber of Listed Companies, Hang Seng Sustainability Index and Hong Kong Management Association – to name just a few.

"If Beauty Propagating is to pass on the best of today for future generations, I think a beautiful natural environment, a harmonious and stable community, happy and satisfied customers, and joyful talents are definitely some of the key elements that we want to pass on."

**Dr Simon Kwok,** *SBS*[◊]*, JP*
Chairman and Chief Executive Officer

**Dr Eleanor Kwok,** *BBS, JP*[◊]
Vice-chairman

[◊] Since 30 June 2017


## Policy Setting

Six key policies were completed during the financial year, with the aim of strengthening the alignment of Sa Sa's operations to the organisation's vision with a clearer outline of our principles and management approach towards ESG issues that are important to our stakeholders.

The process involved the review of the organisation's key practices and creating dialogue with key policy owners. Mapping of policy coverage against relevant guidelines and standards was completed in order to ensure that coverage of the policies is adequate. These policies include requirements such as those set out in the Hong Kong Stock Exchange ESG Reporting Guide, Hang Seng Corporate Sustainability Index, Global Reporting Initiative ("GRI") G4 Sustainability Reporting Guidelines and ISO26000. Benchmarking with relevant industry best practices was completed as we compiled each policy.

Following endorsement by the Sa Sa's Board, the policies were implemented and will be reviewed regularly, to ensure they remain relevant and appropriate for our key stakeholders.

A copy of our Environmental, Social and Corporate Governance Policy is featured on the next page, since that policy provides an overarching framework of the key policies adopted during this financial year.

## Key Policies that were Adopted During the Period

### Employment Policy

- To create and maintain a positive working environment
- Areas covered include compensation, recruitment, promotion, working hours, rest periods, diversity and equal opportunities, and prevention of forced and child labour

### Environmental Policy

- To reduce the potential environmental impact of our operations
- Policy coverage includes carbon management, consumption of raw material, transport and logistics, waste management, business travel, environmental awareness

### Health and Safety Policy

- To provide and maintain a safe and healthy work environment
- To prevent workplace accidents
- To provide adequate and relevant guidelines and training to our talents

### Responsible Product and Supply Chain Policy

- To continuously improve the quality of our products and customer experience
- To create sustainable, supportive relationships with our suppliers
- Policy coverage includes product safety, quality, complaint management, responsible marketing, protection of customer privacy, and supplier performance relating to sustainability

### Training and People Development Policy

- To provide relevant training opportunities to our talents
- To inspire our human capital to deliver excellence

Scan QR code to download policy in PDF.

**ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE POLICY OF SA SA INTERNATIONAL HOLDINGS LIMITED ("COMPANY")**

**Introduction**

As a responsible corporate citizen, the Company recognises the importance of environmental and social responsibility as part of the "Making Life Beautiful" journey and the value creation process for all our key stakeholders. We embrace good practices and go to great lengths to achieve optimal balance in economic, environmental, social and corporate governance whilst conducting our business operations to satisfy our stakeholders.

**Management Approach**

This Policy sets out the framework for managing our environmental, social and governance ("ESG") commitment.

The Board of Directors ("Board") has overall responsibility for the Company's ESG strategy, but has delegated the day-to-day responsibility of implementation to the ESG Taskforce and Corporate Governance ("CG") Taskforce with representatives from different departments in the Company.

We will:

- **Decision Making**: Integrate environmental and social considerations in our decision making processes;
- **Compliance with Laws and Regulations**: Meet or exceed all legal and regulatory requirements, including environmental and social requirements, which are applicable to our business operations;
- **Stakeholder Engagement**: Engage our key stakeholders including employees, customers, shareholders and suppliers, to ensure their needs and concerns are heard and addressed, and if appropriate, incorporated into our strategy;
- **Environment**: Identify and minimise potential negative environmental impacts of our operations where possible;
- **Workplace**: Create a safe, healthy, fair and enriching working environment where all employees are treated with respect and able to achieve their full potential;
- **Supply Chain**: Work with vendors to strengthen the social and environmental aspects of products and services we deliver to our customers;
- **Product Responsibility**: Provide products and services that fulfills our responsibilities towards our customers, the environment and the society;
- **Community Investment**: Foster the development of communities in which we operate, through support in the form of financial and human capital, with a focus on programmes and issues that we are most concerned; and
- **Corporate Governance**: We have adopted the Corporate Governance Code sets out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited as the principal guiding principles for the Company to achieve the highest standard of corporate governance. We either comply with the code provisions or explain with good reason why we deviate from them. In order to further enhance our corporate governance practices, we also adopt the recommended best practices or even go beyond what is stipulated in the Corporate Governance Code, if and when appropriate.

Additional policies that describe our commitment towards our stakeholders include:

- Environmental Policy;
- Employment Policy;
- Health and Safety Policy;
- Training and People Development Policy;
- Equal Opportunity Policy; and
- Responsible Product and Supply Chain Policy.

**Monitoring and Disclosure**

We will review, and if necessary revise, this Policy and our ESG practices at least annually to ensure continuous improvements of our standards. Performance goals will be identified and reviewed regularly, with relevant updates to be communicated to the Board periodically. And we will disclose the relevant performance indicators in our annual ESG report.

This Policy shall be made available on the Company's website as well as posted on the Corporate Portal.

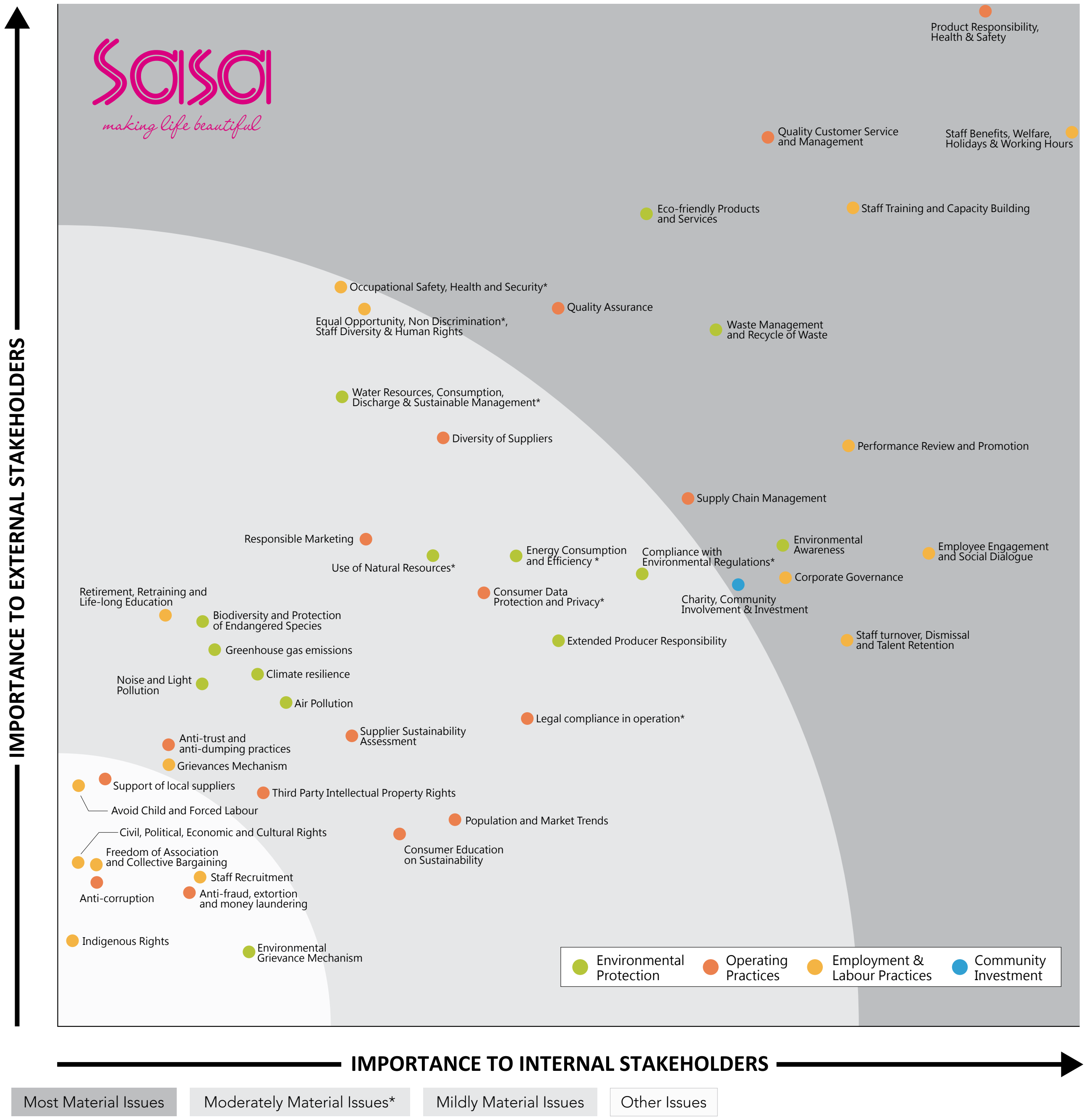
**Language Version**

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


## Recognising How Beauty is Defined

To truly reflect and strengthen the alignment of our beauty journey with the interests of our key stakeholders, we have completed Phase 2 of our stakeholder engagement exercise. Key internal stakeholders' views as set against key external stakeholders' views are summarised below, taking into account the views of the Board, management team, other employees, shareholders and customers.

The list of issues used for evaluation were derived through discussion conducted with management team to review the Hong Kong Stock Exchange ESG Reporting Guide and Hang Seng Corporate Sustainability Index, with additional references to GRI G4 Sustainability Reporting Guidelines and ISO26000 where appropriate.



For prioritization and management, the list of issues in Sa Sa's materiality matrix has been divided into four categories, with the top right section containing the top 30% of issues (14 issues) that are "Most Material" for Sa Sa according to the aggregate view of our internal and external stakeholders. For these issues, we ensure that relevant policies are firmly in place, and in depth discussion is conducted with the relevant member(s) of the management team. Moving forward, further discussion will be conducted in 2017/18 to strengthen alignment between the relevant direction, strategies and targets.

## List of Most Material Issues for Sa Sa

**Employment and Labour Practices**
(under Our Talents section)

- Staff Benefits, Welfare, Holidays and Working Hours
- Staff Training and Capacity Building
- Performance Review and Promotion
- Employee Engagement and Social Dialogue
- Corporate Governance
- Staff Retention, Turnover and Dismissal

**Operating Practices**
(under Our Customers section)

- Product Responsibility, Health and Safety
- Quality Customer Service and Management
- Quality Assurance
- Supply Chain Management

**Community Investment**
(under Our Community section)

- Charity, Community Involvement & Investment

**Environmental Protection**
(under Our Natural Environment section)

- Eco-friendly Products and Services
- Waste Management and Recycling of Waste
- Environmental Awareness

To ensure highly important issues for individual stakeholder groups are accounted for, we have further reviewed the top 10 issues from each of the stakeholder groups that we have engaged and identified issues that were not included in the "Moderately Material" issues list. These issues that are classified as "**Moderately Material Issues**" and are listed below, forming the basis of more in depth discussions to be conducted with relevant members of management team.

## List of Moderately Material Issues for Sa Sa

- Equal Opportunity, Non-Discrimination, Staff Diversity and Human Rights
- Occupational Safety, Health and Security
- Consumer Data Protection and Privacy
- Legal Compliance in Operation
- Use of Natural Resources
- Water Resources, Consumption, Discharge and Sustainable Management
- Energy Consumption and Efficiency
- Compliance with Environmental Regulations

The next section after "Moderately Material" issues is "Mildly Material" issues, which covers the next 15 important issues in aggregate of internal and external stakeholders' views, added together with "Moderately Material" issues they represent a total of 50% of the full list of issues. All the "Mildly Material" issues where a certain degree of management approach already exist will be discussed in this report, with the relevant gap between stakeholder expectations and our approaches to be further evaluated in 2017/18 for improvement.

The remaining 20% of the issues are classified as "Other" issues. Although these might not fall within the "Material" issues from the assessment, a number of issues are still relevant to Sa Sa to ensure compliance with rules and regulations, such as the subject of anti-corruption. These issues will still be discussed within the report.


## Stakeholders Engagement Milestones

**Phase 1:**
Key internal stakeholders engagement

| | *Completion date* |
|---|---|
| Management team | *March 2016* |
| Staff (1st batch) | *March 2016* |
| Board | *December 2016* |
| Staff (2nd batch) | *March 2017* |

**Phase 2:**
Key external stakeholders engagement

| | *Completion date* |
|---|---|
| Public shareholders | *January 2017* |
| Customers | *March 2017* |

**Follow-up actions**

| | *Tentative schedule* |
|---|---|
| Review relevant direction, strategy and target of "Most Material" and "Moderately Material" issues | *2017, 2018* |
| Enhancement of relevant management approaches | *2018, 2019* |

**Phase 3:**
Revisiting matrix and incorporate other stakeholders view

| | *Tentative schedule* *(subject to follow-up actions)* |
|---|---|
| Re-engage key internal and external stakeholders to remap materiality matrix | *2019, 2020* |
| Extension of engagement to other stakeholders | *2019, 2020* |

Having completed the phase 1 and phase 2 stakeholder engagement process (with input from our Board of directors, management team, employees, customers and shareholders), our focus for the next two years will be on enhancing the relevant management approach and on disclosure, so that we can better meet the expectations of our immediate stakeholders. Phase 3 will involve taking into account the views of other stakeholders such as suppliers and non-governmental organisations ("NGOs"). We will implement this phase after we have received initial feedback and reviewed the results of our enhancement work in phase 1 and 2.

## Awarded for Our Care

Sa Sa has been honoured to be recognised by a number of prestigious organisations for the outstanding results that we have achieved. These awards include the Hong Kong Chamber of Listed Companies's "Corporate Governance Excellence Awards" and "Sustainability Excellence Awards". Sa Sa was selected a Member of Hang Seng Sustainability Benchmark Index for the six consecutive years, in recognition of Sa Sa's sustainability performance, which ranks the Group among the top quartile listed companies in Hong Kong. Sa Sa also received an Honourable Mention in the Hong Kong Management Association "Best Annual Reports Awards Judges' Report 2016", in recognition of the quality of Sa Sa's sustainability report and the annual report's overall clarity.

# BONDING WITH OUR TALENTS

## An alignment of our vision with their dreams

The Company values our employees and recognises that the core of our Company's success depends on our ability to inspire talent to deliver excellence. We are committed to creating and maintaining a positive working environment within which employees are able to flourish and to share the success of the Company.

* Extract from Employment Policy


| | Reference page / section |
|---|---|
| **"Most material" Issues Relating to Our Talents** | |
| Staff Benefits, Welfare, Holidays and Working Hours | Page 75 |
| Staff Training and Capacity Building | Pages 70-73 |
| Performance Review and Promotion | Page 75 |
| Employee Engagement and Social Dialogue | Pages 73-74 |
| Corporate Governance | Refer to Corporate Governance Report (Pages 118-141) |
| Staff Retention, Turnover and Dismissal | Page 101 |
| **"Moderately Material" Issues Relating to Our Talents** | |
| Equal Opportunity, Non-Discrimination, Staff Diversity and Human Rights | Page 76 |
| Occupational Safety, Health and Security | Page 76 |

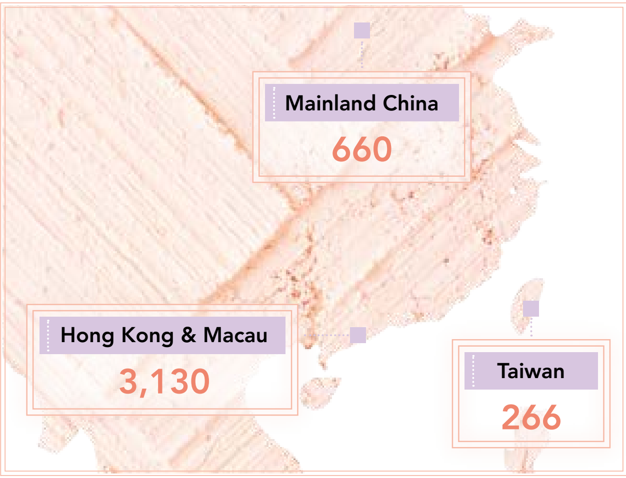

## Composition of Our Talents

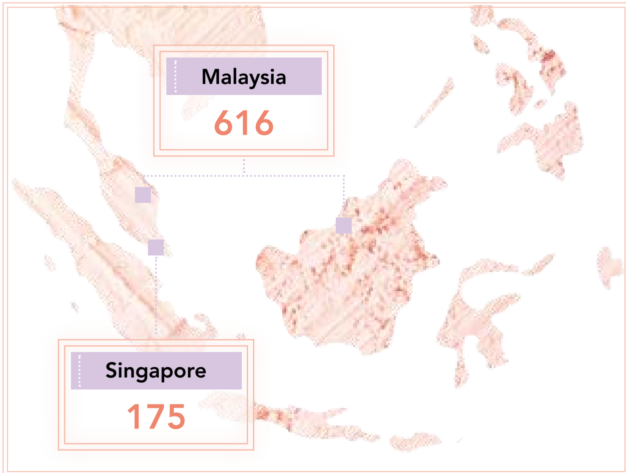
Sa Sa Group headcounts consist of over 4,800 staff as at 31 March 2017. The composition of our talents is set out below:

### Employee Number By Employment Type

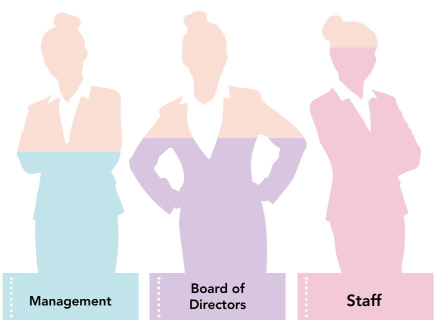
| | Full Time | Part-time or Temporary | Total |
|---|---|---|---|
| Total | 4,281 | 566 | 4,847 |

### Employee Number By Geographical Locations



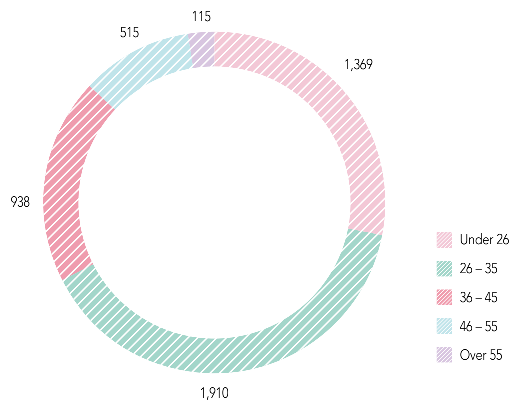




### Employee Number By Gender




| | Management | Board of Directors | Staff |
|---|---|---|---|
| % of Female Composition | 44.4% | 50% | 82.6% |
| Female | 12 | 4 | 4,004 |
| Male | 15 | 4 | 843 |

### Employee Number By Age Group



## To Develop and Grow

To ensure that our "Making Life Beautiful" journey is sustainable, we are committee to nurture this core aspiration in the mindset of all our colleagues. We have also designed a diverse set of programmes for different talent profiles, with the aim of inspiring and enabling our talents to excel and realise their own aspirations.

### Junior Beautician Trainees: A Launch Pad for Their Dream of Beauty

To provide opportunities to potential talents who are interested in a beauty career, a comprehensive training curriculum has been developed to ensure our talents can acquire a full set of product and skin care knowledge to serve the needs of each and every customer who comes into our shop. With all Junior Beautician Trainees ("JBTs") being formally assessed before graduation, the Board's Chairman hosts a formal graduation ceremony every year in recognition of their achievement in passing this course of training and examinations.

### Frontline Development Path

**Sales Trainee**

Training:
**80 hours**

Core curriculum:
Product knowledge, customer service.

**Junior Beautician Trainee**

Training:
**222 hours**

Core curriculum:
Advanced product knowledge, customer service.

A series of revamp of course content was initiated for JBT this year, enhancing the service model to provide guidance that is closer to the needs of our talents todays.

**Beauty Consultant**

Training:
**Core: 35 hours**
**Advance: 41.5 hours**

Core curriculum:
Advanced product knowledge, customer service, sales technique and customer psychology.

**Big Sister**

Training:
**Core: 16 hours**
**Advance: 12.5 hours**

Core curriculum:
Management and training technique.

**Outstanding Big Sister/ Shop Trainer Programme**

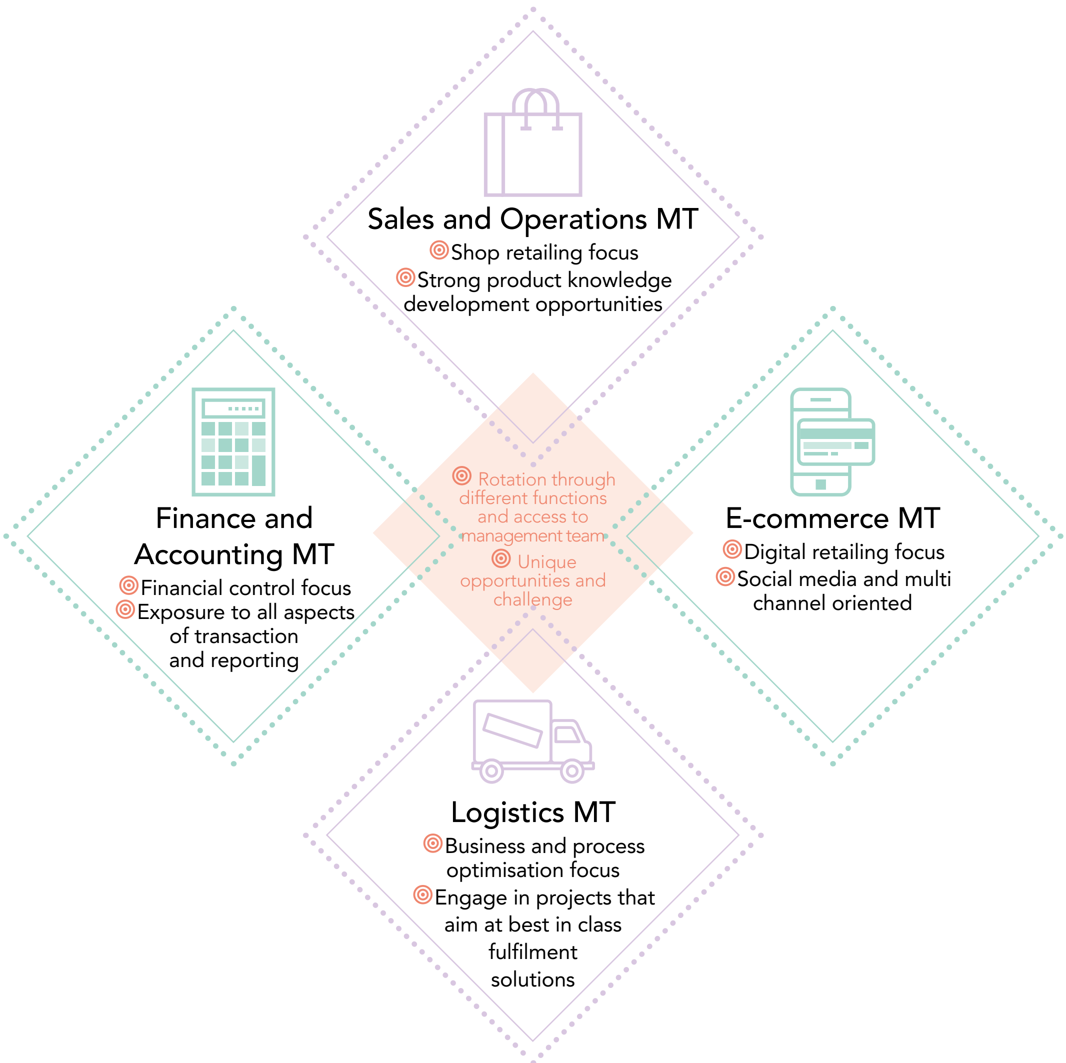
Training:
**Core: 27 hours**
**Advance: 6 hours**

Core curriculum:
Advanced shop management and leadership skills.

**Assistant Shop Supervisor/ Sales Supervisor/ Shop Supervisor**


## Management Trainee Programme – Designing a Future with Diversity

To meet the increasingly diverse demands of graduates with different career aspirations and dreams of the future, three new streams of our Management Trainee ("MT") programme were launched during the financial year. The new management trainee programmes aim to bring closer alignment between the interests of graduates and the ultimate needs of our management ladder. In addition to our traditional Management Trainee programme under our Sales and Operations department, the new streams include E-commerce MT, Logistics MT, and Finance and Accounting MT. Each programme serves a common goal of providing a career boost to talents, by offering enhanced leadership opportunities and diversified exposure to different aspects of our business.




### By the numbers:

Applications
**1,220**

Rounds of Selection Screening Required
**5**

Final Intake:
**28**

MT Journey
**18-24** months

## Nurturing the Next Generation of Retail Excellence

As competition in the labour market intensifies, we see it as part of our strategy to reach potential talents before they join the labour market, so that they will be able to develop skills that are relevant at an early stage.

### At Secondary School Level: Business – School Partnership Programme

As part of our commitment to develop a future talent pool for the cosmetic and retail industry, we have provided opportunities to 96 students from 29 secondary schools, offering them orientation training, real shop attachment experiences and follow-up sessions, so they can better understand the pros and cons of the retail industry.

### At Tertiary Level: Earn and Learn with VTC

For the second year, Sa Sa has participated in the Earn and Learn Programme organised by Vocational Training Centre ("VTC") and Hong Kong Retail Management Association. In this course students from VTC are provided with opportunities for training and short term paid positions with Sa Sa. The training counts as part of their credit bearing Foundation Diploma programme.

## Continuation of Learning, Continuation of Dreams

Believing in the importance of continuous development of our talents, we have established various programmes and platforms to further this aim.

### Core Product and Service Competency: Enhancing the Digital Learning Experience

After months of development and testing, a revamped e-learning platform was completed, integrating some of the most insightful training materials relating to our products, skincare concepts, service tips, market trends and foreign language training, thereby offering a convenient way for our colleagues to develop their skills on-demand.

### Management Effectiveness: The 7 Habits Workshop

A workshop was held this year as part of a management development workshop, with the focus on Stephen Covey's *7 Habits of Highly Effective People*. The aim was to strengthen both the personal and collaborative effectiveness of the team. The workshop was conducted through a mix of theory sharing and opportunities for immediate application.


### Staff development subsidy

Since each of our colleagues has their own development needs, they are encouraged to identify programmes that fit their annual development objectives. These programmes can be fully paid for if they align with their object.

## Qualifications Framework – to Recognise our Beauty Experts

Since many of our beauty consultants have already committed themselves to their profession for over 10 years with Sa Sa, they have acquired skills and capabilities that are truly best in class. To recognise these skills and expertise, Sa Sa participated in the Recognition of Prior Learning programme organised by the Qualifications Framework. More than 190 colleagues successfully acquired the qualification in this financial year after passing the written and/or verbal verification and the examination process.

# To Connect and Communicate

To strengthen the connectivity and dialogue between all levels of the organisation, a number of channels have been established to promote connections.

### Formal Channel

#### Board and management engagement

- **Board Meeting**
  A total of 22 Board and Board Committee meetings were held this year to ensure that key strategic priorities were clearly defined.
- **Management Meeting**
  Weekly meeting of key members of the management team to ensure continuous alignment of operations to organisational strategic priorities.

#### Regular alignment of goals

- **Night Meeting**
  A series of annual meetings are held at regional level every year, where frontline colleagues gather and share challenges that they face in their area of operation. Key messages from Management are also communicated to empower actions that align with organisational strategy.
- **Supervisor Meeting**
  A meeting of all major shop supervisors is held every month to ensure key trends, market updates, and company strategy are brought to the frontline in an appropriate manner.

### Informal Channel

To provide a more active, sociable and fun working environment for our talents, a Staff Recreation Club was established in 2011, with the aim of organising events and classes of interest to our colleagues. With a dedicated budget, some of the events that were organised this year include:

Colleagues at cake making class, to make their favourite cartoon characters into cakes.

Colleagues at specialty pastry mooncake making class prior to Mid Autumn Festival.

Colleagues making their personalised storm glass, an instrument that become quite popular in the 1860s to predict weather patterns.

Sa Sa colleagues and families making a fun visit to the Legislative Council Complex together with Peter Shiu Ka-fai, member of the Legislative Council of Hong Kong for the Wholesale and Retail functional constituency.


## Employee Rewards, Retention and Well Being

### Staff Performance Appraisal

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, key performance indicators ("KPIs") are adopted to ensure that the requisite directions and standards are set and met.

We believe in the importance of recognising employees' accomplishments, and thus we have many different but equally valuable ways of rewarding our talents. There are many performance incentives for our employees, with discretionary bonuses, sales bonuses, sales commissions and share awards being offered to reward good performance.

The total employee benefit expenses of the Group amounted to HK$1,064 million for 2016/17, sharing approximately 14% of our organisation's turnover.

### Staff Induction and Wellbeing

To enable our talents to start their journey of beauty smoothly with Sa Sa, a comprehensive Employee e-Handbook is introduced to them on their welcome day, containing an outline of key benefits and compensation for staff. Our Employment Policy also provides our talents with a clear view of principles on how Sa Sa relates to our talents.

Catering for colleagues living in different parts of Hong Kong, shuttle services are offered to colleagues in the New Territories and Western Kowloon area, thereby reducing the challenges our colleagues face in commuting to work.

A series of health care and well-being talks have also been organised:
- Effective weight management;
- Winter disease prevention kit;
- Common work related pain;
- Eye disease; and
- Woman health care and cervical cancer.

### Anti-corruption

To ensure the workplace operates in a fair and transparent manner, the following policies and practices are in place, including:

- Whistleblowing Policy: Providing the necessary mechanism for employees to report misconduct within the organization.
- Gifts and Entertainment Policy, Conflict of Interest Policy and Guidance on Prevention of Bribery Ordinance: preventing and managing possible conflicts of interest and bribery.

Our Internal Audit and Management Services Department is responsible for execution of these policies. Further details regarding relevant implementation and monitoring can be found in the Corporate Governance Report. No legal action was instigated against Sa Sa for corruption during the period.

## Health and Safety, Well-Being and a Harmonious Workplace

### Health and Safety

A dedicated Health and Safety Committee has been set up to address health and safety issues, led by the Head of Human Resources with members from various departments. The company's Health and Safety Policy sets out the employer's and employees' role in maintaining a safe and healthy work environment, and will be reviewed annually to ensure continuous updates and improvements. A module on avoiding workplace injury is also introduced at staff induction.

Health and safety by the numbers:

- There were zero cases of fatality due to workplace accidents in 2016/17;
- There were 14 cases of work related injuries in 2016/17;
- The total lost days due to work injury was 718 days; and
- An average of 0.21 days of sick leave were taken by our staff members per month.

### Workplace Harmony and Equal Opportunity

Sa Sa's Employment Policy sets out clearly the importance of an inclusive and harmonious workplace.

#### Diversity and Equal Opportunity

We recognise the value of a diverse and skilled workforce and are committed to creating and maintaining a collaborative workplace culture in which all can thrive.

We are dedicated to providing equal opportunity in all aspects of employment and maintaining a workplace that is free from discrimination, physical or verbal harassment against any individual on the basis of race, religion, colour, gender, physical or mental disability, age, birth place, marital status, sexual orientation or any other status protected by applicable law.

We will strive to ensure that complaints, grievances and concerns, including whistle blowing, are dealt with promptly and confidentially.

#### Prevention of Child and Forced Labour

We condemn all forms of exploitation of children, do not recruit child labour and adhere to minimum age provisions of applicable laws and regulations. The Company also supports the elimination of all other forms of forced, compulsory or bonded labour.

* Extract from Employment Policy

# BONDING WITH OUR NATURAL ENVIRONMENT

## Sustaining the miracle beauty of Gaia


We recognise our responsibilities towards the potential direct and indirect negative environmental impacts associated with our business operations.

By integrating environmental consideration into our decision making processes, we embrace our responsibilities to create an environmentally sustainable business. This is achieved through innovating and implementing measures that promote greenhouse gas emission reduction, energy and water conservation, efficient use of natural resources, waste reduction and any other green initiatives across the life cycle of our products and services.

* Extract from Environmental Policy

| | Reference page |
|---|---|
| **"Most Material" Issues Relating to Our Natural Environment** | |
| Eco-friendly Products and Services | Page 78 |
| Waste Management and Recycle of Waste | Pages 81, 103 |
| Environmental Awareness | Pages 82-85 |
| **"Moderately Material" Issues Relating to Our Natural Environment** | |
| Use of Natural Resources | Pages 81, 103 |
| Water Resources, Consumption, Discharge and Sustainable Management | Pages 81, 102 |
| Energy Consumption and Efficiency | Pages 80, 102 |
| Compliance with Environmental Regulations | Pages 82, 103 |

Despite the efforts from governments, corporates, nonprofits and individuals around the world, our planet's temperature continues to rise, 2016 was again the warmest year since global record begin 137 years ago (source: National Centers for Environmental Information). At the same time, recognising the seriousness of the climate issue, an important consensus was reached at the United Nations Climate Conference in Paris amongst most leaders: that we all must do our part to limit the increase in global temperature to no more than 2°C.

At Sa Sa, we see ourselves as part of the global community in addressing climate and environmental challenges. Thus we are reviewing the science-based target, to reflect the global community's commitment to meeting the challenge of global warming.

We also recognise that as part of our operations, we leave a significant footprint on the natural environment despite our progress in energy and carbon emissions reduction. We see the importance to be persistent in tackling our negative environmental impact via of two key pillars. First to optimise our operations and the second to raise environmental awareness through the reinforcement of positive behavioural change. We believe that if we get these policies right, we can ultimately bring benefits both to our environment and to our financial bottom line.

## Turning our Operations and Channels Green

In the lifecycle of our operations, we recognise that we impact the planet's resources in many different ways. Through strengthening our approach over the years in governing, measuring, monitoring and exploring reduction opportunities, we believe we can become more efficient in achieving our aspiration of delivering beauty to our key stakeholders.

One important catalyst to our continuous improvement is our Board, providing the necessary direction and passion for our work through discussions of ESG strategy at Board meetings twice a year. Our management also places considerable emphasis on the subject of sustainability, engaging in conversations throughout the year with the ESG team to identify possible improvement opportunities. A dedicated ESG Taskforce, consisting of representatives from all major departments, helps Sa Sa to rapidly drive the sustainability agenda forward at operational level.

### Phasing Out Microbeads

Microbeads are solid plastic particles of 5mm or less, and are mainly used as exfoliants and cleansing agents in rinse-off products. In recent years, microbeads have been scrutinized for the negative impact they may pose to the marine environment and human health. Many countries and major multinational brands have already stopped, or are taking steps to eliminate the usage of microbeads in rinse-off products.

As scientific evidence becomes more compelling on the environmental damage that microbeads cause to the global ecosystem, in August 2016 Sa Sa committed to eliminate plastic microbeads in any rinse-off product with the target of completely phasing out microbeads by the end of 2018. Sa Sa thus became the first large scale multi-brand cosmetic retailer in Hong Kong to make this commitment publicly.

"We believe and are committed to protecting the beauty of mother nature. However, to truly live up to our commitment is not easy as it requires us to constantly review, benchmark and reorganise aspects of what we currently do, which in turn necessitates substantial changes to product strategy and the entire supply chain. I think passion and persistency are the two critical elements that are needed to really make this happen.

With climate change, we have no choice but to take appropriate actions to stop it, for ourselves, and for our future generations."

**Dr Guy Look**
CFO & Executive Director


## Tracking our Carbon Footprint

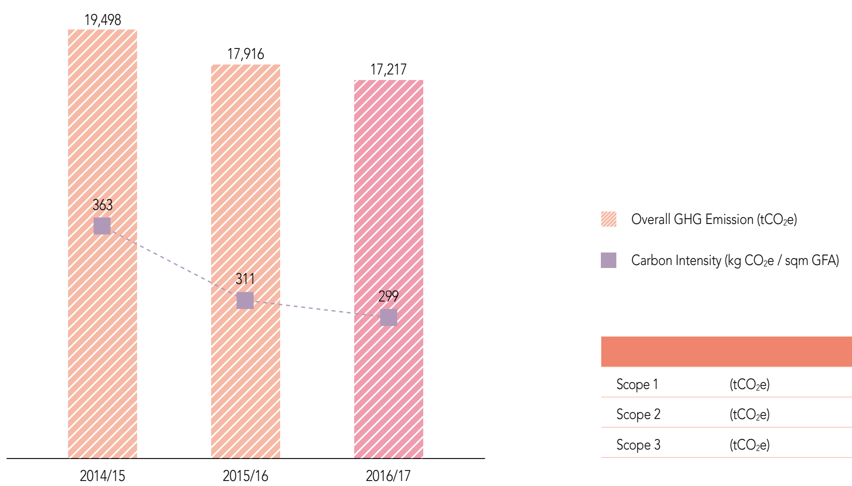
We believe that understanding environmental impacts across our operations is the first step towards taking meaningful actions. Since Sa Sa began to report on its carbon footprint in 2012/13, we have been extending the coverage and depth of our environmental performance report every year. This report includes the use of infographics to display three years' carbon data in 2014/15, and further analysing disclosure of our carbon footprint into direct and indirect emission in 2015/16. This year, we extend the coverage of scope 3 emissions by incorporate greenhouse gas ("GHG") emissions resulting from logistics operations carried out by external logistics operators based on the vehicles used to transport the product from our logistics centers to our stores.

As we reach the end of this financial year, we are pleased to report that our efforts in continuous monitoring and control of GHG emissions have again paid off. For the fifth consecutive years, we have reduced our carbon intensity (per gross floor area ("GFA")) across our operations. In measurable terms, our operations produced 17,217 tonnes of carbon dioxide equivalent ("$CO_2$e") emissions in this financial year, a 3.90 % reduction from 17,915 tonnes of $CO_2$e in 2015/16.

The emissions associated with electricity consumed in our stores, offices and warehouses (scope 2) remain the biggest contributor to our GHG emissions. We successfully reduced scope 2 emissions by 5.1% in 2016/17, which can be primarily attributed to the increasing utilization of LED lighting in our stores (For more details, see Energy Conservation on page 80).

Another change year on year was a 26.5% reduction in emissions related to business air travel, as a result of the promotion of alternative means of communications in order to minimise non-essential air travel.

### GHG Emission and Carbon Intensity




| | | 2014/15 | 2015/16 | 2016/17 |
|---|---|---|---|---|
| Scope 1 | ($tCO_2e$) | 137 | 148 | **159** |
| Scope 2 | ($tCO_2e$) | 19,063 | 17,511 | **16,619** |
| Scope 3 | ($tCO_2e$) | 298 | 256 | **440** |

Note: Previously published data for 2014/15 and 2015/16 are restated due to the change in the emission factors adopted and the inclusion of certain electricity consumed settled through a landlord which were not accounted for previously.

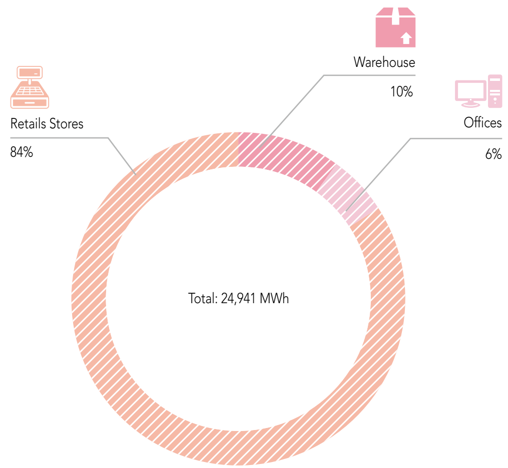
Looking ahead, we are in the process of reviewing relevant targets that have closer associations with the climate challenge the planet is facing. We are therefore using the "Science-based Approach" in working towards identifying possible carbon reduction targets. The "Science Based Targets", a joint initiative of CDP, the UN Global Compact, the World Resources Institute and Word Wide Fund for Nature ("WWF"), aim to encourage companies to pursue bolder carbon targets by helping them determine how much they must cut emissions to help prevent the worst impacts of climate change. If the global community can work together collectively with the same commitment to reduction, the results would reduce global warming to well below a 2°C increase as compared with pre-industrial levels.

Our carbon footprint analysis follows 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. You can view full carbon footprint data for the previous three years and an explanation of the methodology in the Sustainability Data Statement – Natural Environment (p.102-103).

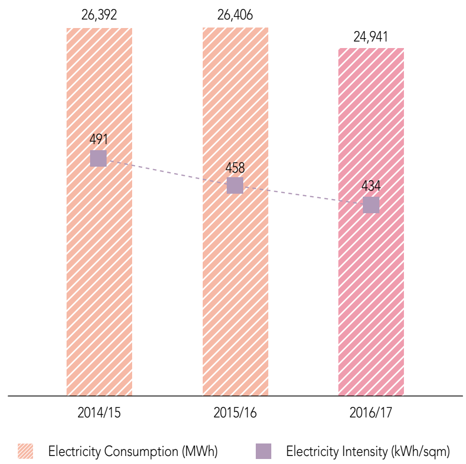
## Energy Conservation

As a retailer with 116 stores in Hong Kong and Macau (as at 31 March 2017), it is important for us to make every effort to reduce our electricity consumption where practical. In 2016/17, Sa Sa made further progress in energy efficiency across our operations. Our total electricity consumption in Hong Kong and Macau was equivalent to 24,941 MWh in 2016/17, 5.6% less than in 2015/16. Our energy intensity, normalised against gross floor area ("GFA"), equated to 434 kWh per square metre. This is 5.3% less than the previous financial year.

Electricity Consumption by Facility Type




Electricity Consumption & Intensity




With retail stores accounting for about 84% of our total electricity consumption, much effort has been focused on energy-efficiency initiatives in stores, including:

- **Utilization of LED Lighting** – all lightings in our new stores are fully fitted with LED light.
- **Charter on External Lighting** – Sa Sa is a signatory to the Environment Bureau's Charter on External Lighting, with all relevant stores in Hong Kong having pledged to switch off external lights at preset time. In addition to energy saving, the Charter also aims to help reduce lighting disturbance to local residents.
- **Real time energy monitoring** – Our two stores in Temple Mall and Leung King Plaza participated in Link REIT's Tenant Energy Saving Pilot Programme, with a real time energy monitoring system installed. This allowed us to identify efficiency potential, and promote energy saving and eco-friendly behaviour among frontline staff.

### Renewable Energy Certificate

We have recently purchased a Renewable Energy Certificate issued by WWF-Hong Kong with an offset value equivalent to 400kWh, generated solely from the rooftop solar system of Stilt House in Tai O, Hong Kong. Although this only offsets a small fraction of our carbon emissions from energy consumption, it is an opportunity for us as businesses to contribute to the local development of renewable energy.


## Use of Natural Resources and Waste Management

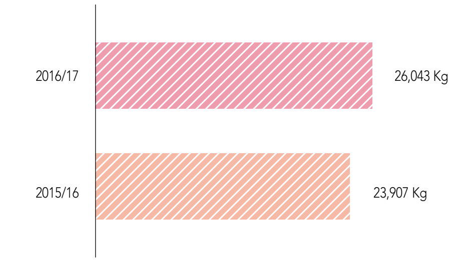
One material issue identified in our stakeholder engagement is waste management and the recycling and re-use of resources. To this end, we remain committed to minimising the amount of waste we produce and have taken many steps to reduce the burden that our daily operations place on landfills, as further elaborated below:

### Waste Generation

We have begun to record the amount of general waste generated from our offices since 2015/16. In 2016/17, we generated 26,043 kg of waste as compared with 23,907 kg in the previous year, signalling the importance for us to review the sources of waste and our strategies in regard to minimisation.

In the coming year, priority will be placed on increasing the scope of reporting on waste across our operations so we have a better understanding of our waste footprint and reduction potential, echoing the government waste charging scheme scheduled for 2019.

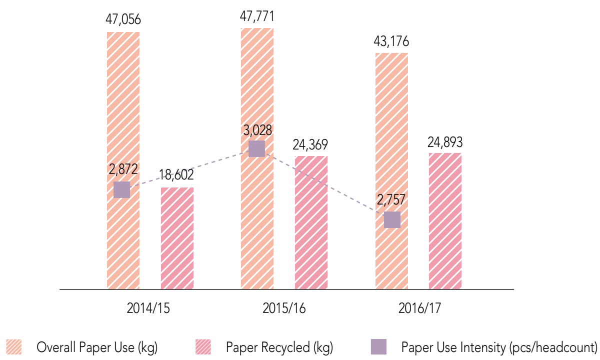
### Office Waste Generated




### Paper Use and Recycling

We are constantly looking for ways to take paper out of our waste equations. In April 2016, our Human Resources department launched an e-leave application system. In 2016/17, we diverted more than 24,000 kg of wasted paper from landfill via a local waste paper recycler, while on average every employee consumed a total of 2,757 sheets of paper, a reduction of 8.9% over last year.

### Paper Use and Recycling




### Reuse Carton Box

Our carton boxes reuse campaign have experienced much success since its launch in June 2015. Cumulatively we have reused 63% of our boxes since June 2015 on average, as shop supervisor being encouraged to stack up and return boxes as part of their regular re-shelving routine.

### Environmental-Friendly Bags

Sa Sa's plastic shopping bags are oxo-biodegradable and its paper bags are also FSC certified.

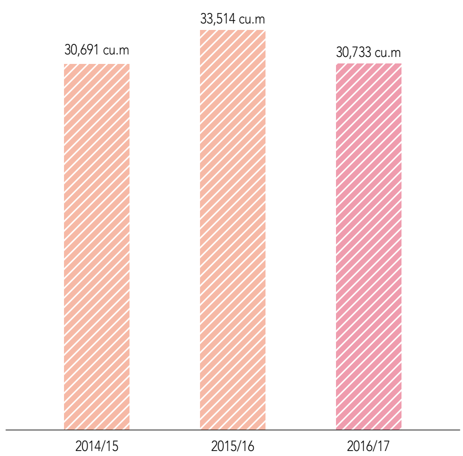
### Computer Donation

In June 2016, we launched a computer recycling programme. Our staff were invited to recycle their unwanted computers, monitors and other accessories through Caritas Computer Workshop. 98 items in total were then redistributed to people in need or recycled in an environmentally responsible manner.

### Water Consumption

Sa Sa's operations are not water intensive and represent just 0.1% of our carbon footprint. However, we recognise that water availability is a growing global concern, and we are committed to reducing our water usage.

### Water Consumption



## Environmental Compliance

As a retailer, Sa Sa complies with the Product Eco-responsibility Ordinance (Cap. 602) with respect to the levy on plastic shopping bags. 50 cents will be charged for each shopping bag, including paper shopping bags purchased in our stores. In 2016/17, we provided more than 2.6 million shopping bags to the customers and collected HK$1.3 million in total from this levy. Also, we dispose of the surplus products to designated waste collector in accordance with the Waste Disposal Ordinance (Cap. 354).

## Environmental Awareness – Greening Culture

One key driver towards the continuous improvement of our sustainability performance includes continuous education and engagement of our talents and their familes. Our aim is for them to better understand how their current activities contribute towards environmental damage, and inspire them to contribute towards the solution.

### Green Lunch – From Listening, Experiencing to Believing

To provide a comprehensive green experience to our colleagues, a series of two green lunches were organised for our office and shop supervisors, providing an opportunity for our colleagues to listen to and experience various green issues.

*Listen:*

We were fortunate to be able to invite a number of insightful speakers to share green ideas.

Dr Guy Look – Interaction of Ecosystem

CLP – Eco Power 360

Greenpeace – Impact of Plastic Waste

Fair Trade Hong Kong – Understanding Fair Trade

Hong Kong and Shanghai Hotels – Sustainable Luxury


# Experience:

To provide physical interaction opportunities, deepening participation and hopefully to enhance the likelihood of permanent behavioural change.

**Fair Trade Hong Kong Trader:**

Providing various organic and fair-trade product options.

**Eco-award registration:**

A pop-up store provides opportunities for colleagues to register for paperless power bills.

**Eco-cutlery:**

To echo Greenpeace's plastic free campaign, an eco cutlery shop was invited to sell their products at our Green Fair.

**Vegetarian lunch served:**

A diverse menu of healthy vegetarian food was served by a social enterprise caterer.

# Popup / Start-up:

As part of ESG development programme for our MTs, they were given the opportunity to explore and develop social enterprise and green business ideas through design and operate 5 different pop up stores at our green lunch event, with all proceeds going towards Po Leung Kuk ("PLK").

## Facing our Challenge Hands On – Beach Cleanup Day

To align with our waste minimisation and microbeads free campaign this year, we organised a beach cleanup event with the help of Plastic Free Sea. More than 100 colleagues and their family members took part and learned about the negative environmental impacts that our daily waste generation creates.

With young and adult volunteers joining hands, we were able to restore the beach to its unpolluted state after a full morning of rubbish clearing.


## Making our Festival Green With Love

### From Red to Green – Red Packet Collection

Beginning in 2014, Sa Sa has been a Diamond sponsor of and participant in the "Red Packet Re-use and Recycling Programme" organised by Greener's Action. Entering our fourth consecutive year of participation, Sa Sa committed to place collection boxes in our offices and 50 of our shop premises, allowing our employees and customers to give away their used red packets.

The red packets collected were sent to Greeners Action, where they will be reorganised and stored for reuse next year. This year 580,000 red packets were collected in total by Sa Sa, demonstrating a 99% increase as compared to last year.

### Mid-autumn Angel – Mooncake Collection

Partnering with Food Grace and Food Angel, we collected over 150 mooncakes this year from colleagues prior to Mid-Autumn Festival. The mooncakes were redistributed to underprivileged families who cannot afford such luxurious festival food, resulting in both waste minimisation and positive community impact.


## Recognition and Influence Beyond the Pink Boundary

Sa Sa's commitment to practising green management in the office has continued to be recognised by various green groups. In 2016/17, Sa Sa was honoured by WWF-Hong Kong and World Green Organisation with the "Gold Label" in the Low-carbon Office Operation Programme ("LOOP") Labelling Scheme and the Green Office Awards Labelling Scheme ("GOALS") respectively.

Reflecting Sa Sa's passion for making a difference, our CFO & Executive Director, Dr Guy Look, currently serves on the Energy Advisory Committee of the HKSAR, with the ultimate aim of assisting government to make decisions that will be benefit both Hong Kong and the planet.

Sa Sa also collaborates widely with other businesses, NGOs, regulators and government on the advancement of ESG reporting in Hong Kong. Some of these initiatives include our sharing at the Carbon Audit Seminar for Listed Companies in October 2016, co-organised by the Environmental Protection Department and HKEx, and participate in sharing at the Community Investment Forum in June 2016, hosted by Community Business.

# BONDING WITH OUR CUSTOMERS
## Delivering an enlightening beauty experience

We value our customers and are committed to strengthening our ties with them over time by continuously improving the quality of our products and customer experience.

* extracted from Responsible Product and Supply Chain Policy

| | Reference page |
|---|---|
| **"Most Material" Issues Relating to Our Customers** | |
| Product Responsibility, Health and Safety | Page 92 |
| Quality Customer Service and Management | Pages 87-90 |
| Quality Assurance | Page 92 |
| Supply Chain Management | Page 92 |
| **"Moderately Material" Issues Relating to Our Customers** | |
| Customer Data Protection and Privacy | Page 90 |
| Compliance with Law | Pages 87, 90 |

We recognise it is increasingly challenging to create a truly enlightening experience for our customers as the customer journey and expectation have evolved rapidly over the last decade. Simply making products available at our retail store alone is no longer sufficient to fully satisfy our customers' desire for beauty solutions. Many customers are expecting deeper insights into a product's unique value. They want to gain confidence at a convenient touch point in that specific product and they expect our system to provide intuitive feedback so they can complete their transactions with ease.

With so much of our efforts being invested in enhancing customer channels and touch points over the last few years, we now recognise that the emerging priority over the next 12 months is to identify opportunities to drive forward Online-to-Offline ("O2O") Transformation. Our ultimate aim is to strengthen the interaction between Sa Sa and our customers and to obtain a deeper understanding of their purchasing patterns so that we can better fulfil their expectations of better products and deeper engagement.


## Customer Frontend: Customer Service, Management and Experience

Founded 39 years ago in a 40 square feet shop in Causeway Bay, Hong Kong that was our only customer touch point, Sa Sa has since expanded our physical network to cover the five key regions of Hong Kong, Mainland China, Taiwan, Singapore and Malaysia. Besides the regional network of 288 shops, we are active in multiple online channels that reach customers in over 100 countries. In mapping our customer experience and interaction with our online and offline touch points, we have identified four key phases as follows:

Awareness → Consideration → Purchase → Retention

### Customer Awareness and Consideration

**Online Touch Point**

Online Ads, Sa Sa Facebook Page, Google, YouTube, WeChat, Baidu, Weibo, Instagram, Tmall, JD.com, Kaola NetEase

**Offline Touch Point**

Newspaper coverage, magazine, TV advertising, Sa Sa Ladies Purse Day, Sa Sa Charity Concert, Sa Sa Popup Store

Sa Sa employs numerous channels to reach out to our existing and potential customers. We have established policies and process that ensure our marketing practices are fair and accurate and in full compliance with the Trade Description Ordinance ("TDO").

As part of our efforts to continuously enhance our multimedia content, we have recently launched *Sa Sa Beauty Live*, with live Facebook sharing about some of the hottest products that are in the market, essential skin care and makeup tips, and critical product comparisons that enable our customers to make the right product choices.

### A Beauty Carnival for All – Sa Sa Ladies Purse Day

Sa Sa Ladies Purse Day held jointly with Hong Kong Jockey Club was again a huge success this year, attracting a record crowd of 83,383 individuals, an increase of 15% as compared to last year.

With the history of Lady Purse races being traced back as far as 1846, it is always a festive occasion bringing together many of the city's celebrities, designers and horse racing enthusiasts. In this year's programme, in addition to the horse races, British headwear designer Harvy Santos was invited to showcase some of his work at on the fashion catwalk. A best dress contest was held during the day and the public was invited to take part in this beauty carnival. A makeup workshop and popup store were also arranged so that event guests could truly experience Sa Sa's unique beauty solutions.

## Customer Purchase

**Online Touch Point**

www.sasa.com,
www.jd.com,
www.kaola.com,
WeChat Store,
Sa Sa mobile application

**Offline Touch Point**

Sa Sa Stores, Sa Sa Boutique,
Shine, Sa Sa Supreme,
La Colline Shop,
Beauty Consultant, AliPay,
WeChat Pay, Apple Pay,
Android Pay

In regard to online sales channels, in addition to maintaining our strong customer engagement on sasa.com and jd.com, we commenced a new strategic partnership with Kaola during the year. Kaola is one of the largest cross-border e-commerce platforms in China, providing yet another channel for our customers to fulfil their beauty dreams. In parallel, the recent migration of our Mainland logistics centre to Zhengzhou Bonded Warehouse also provided added convenience, enabling us to fulfil customer online purchases in China in a more timely and cost efficient manner.

With our physical stores still contributing the majority of Sa Sa's revenue, much effort has been invested in establishing various types of experience options to complement our signature Sa Sa shop. These options include Sa Sa Supreme, which was launched in 2013 and positioned to provide a comprehensive range of products to customers who demand variety in their shopping experience. Our Sa Sa Boutique and Shine formats launched in 2015 offered solutions at the other end of the product variety spectrum, with the aim of attracting customers who are looking for a grab and go experience. Meanwhile, our long established La Colline Shop is uniquely positioned to provide specialty products and services to some of our most exclusive clients.

The payment option offers to our customers were also significantly diversified during this financial year. Sa Sa was amongst the first retailers in Hong Kong to introduce various forms of mobile payment convenience, including Android Pay and Apple Pay. These mobile applications provide alternative payment solutions to customer that are simple as to use and secure as the traditional credit card transactions.


# Demonstration of service excellence

We believe in the importance of serving our customers from the heart. We are committed to do so through our routine health check tool, the Target Management Sustaining System ("TMSS"), and the Mystery Shopper programme. Our dedication to excellence was well recognised this year, with a full array of awards being presented to Sa Sa, including:

## Hong Kong Retail Management Association Awards

Sa Sa won a total of six accolades this year, with three from the "Mystery Shoppers Programme 2016" Awards and three from the "Service and Courtesy Awards". These awards included the 20th Anniversary "The-Most-Award-Winning Brand" – Gold Award for our La Colline Shop and the Best Team Performance Award – Silver Award.


## "Hong Kong Service Awards" East Week Magazine for the Ninth Time

Being awarded "Tourist Choice" at the "Hong Kong Service Awards 2017" was another recognition of Sa Sa's continuous commitment to service excellence that focuses primarily on our customers.

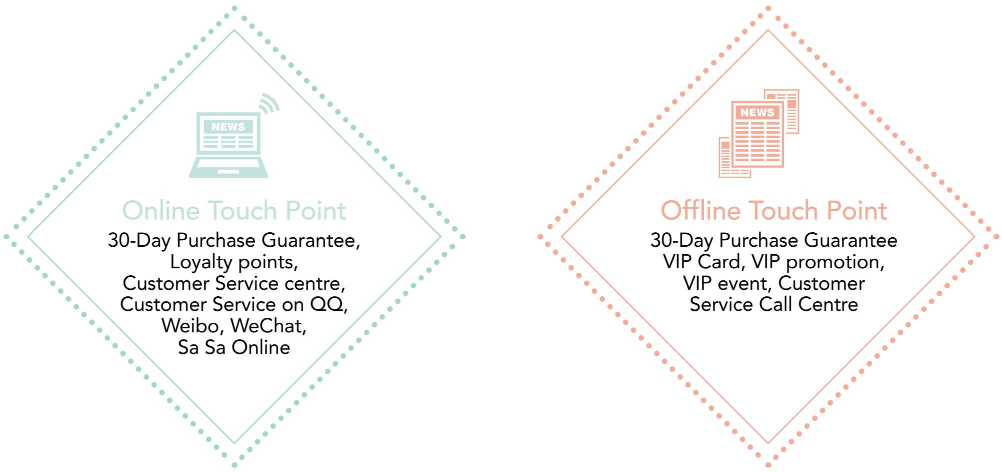
## World's Excellent Brands Awards 2016-2017

Sa Sa's customer-centric philosophy in the delivery of our products and services was recognised in the World's Excellent Brands Awards 2016-2017 sponsored by China Media Network ("CMN") and based on brand awareness, recognition, leadership and representativeness.

## Outstanding QTS Merchart Award 2017

In recognition of Sa Sa's high standard of products and services, Sa Sa was recognised by Quality Tourism Services Association ("QTSA") again this year, winning a total of eight awards for our shops and staff. These awards included the Gold Award for our La Colline Shop, Silver Award for Sa Sa stores and a total of six Gold Awards for our supervisory and frontline staff.

## Customer After Service and Retention





Ensuring our customers are satisfied is one important promise that we hold at Sa Sa. Consistent across all our platforms, Sa Sa offers our customers a 30-Day Purchase Guarantee, ensuring their peace of mind when they shop at any Sa Sa touch point.

Our various customer service touch points also provide different options for our customer to offer feedback on their shopping experience, with options that including email, online live chat, call centre and website, to ensure customers can reach us on a channel that is convenient to them. During this financial year, we received a total of 157 complaints, as compared to 160 in the previous year. All complaints are handled according to an ISO certified complaint management protocol, so that our operations centre can respond to product quality, safety or service quality issues in the most appropriate manner. Members of management team are involved in this process, so that all incidents are attended to diligently, on a timely basis, and resolved reasonably.

In recognising customer concerns over the privacy of their personal data, our operations strictly comply with the latest Personal Data (Privacy) Ordinance, and we are committed to ensuring that the customer information we receive is only used for the purpose for which the personal data were collected.

## Customer Back End: Supply Chain Management and System Optimisation

To support the desired frontend customer experience, we see our work at the backend as consisting of two key pillars: our supply chain, which consists of product selection and management; and our data system, which is comprised of our product attribute data, customer behavioural data, each sales touch point's unique attribute data, market intelligence data, as well as the bridges that connect all these data.


## Product and Supplier Diversity

We recognise that different customers require different solutions, and we seek only the best solutions appropriate to them. Their needs may vary in terms of product functionalities, ingredients, product concepts etc. We see it as our duty to identify the best solutions and we endeavour to source the best products for them through our continuous explorations around the world.

### 8% Europe (excluding France/Switzerland)

GIANFRANCO FERRE, JAGUAR FRAGRANCES, COLLISTAR, Ferrari, Salvatore Ferragamo, TOUS, Blumarine, BENTLEY, PUPA MILANO, TRUSSARDI, Versace, Giorgio Armani, Mercedes-Benz Perfume., Crabtree & Evelyn LONDON

### 42% Japan/Korea

banila co., BEYOND, BRTC, 肌っ子, CYBER COLORS, Dr.G, Dr.Jart+, sasatinnie, Soo Beauté, the SAEM, goodal ferment beauty, Kate, Kiss Me, Canmake, It'S SKIN, SNP, skin79

### 16% France

JAGUAR FRAGRANCES, PRINCESSE MARINA DE BOURBON PARIS, TALIKA, NUXE PARIS, Clarins, L'Oreal, Rene Furterer

### 5% Asia (excluding Japan/Korea)

Neogence, DMeCare, For Beloved One, Simply, b·liv

### 13% America

Elizabeth Arden NEW YORK, GUESS, PERRY ELLIS FRAGRANCES, Maybelline, Revlon

### 10% Switzerland

La Colline, SWISS Rituel, Méthode SWISS BEAUTY CARE, SWISS BALANCE, SUISSE PROGRAMME, TRANSVITAL, La Estephe

### 1% Australia/New Zealand

NATIO, SPRINGFIELDS THE BEAUTY OF NATURE, In Essence, CROP, Lanocreme

### 4% Other

Notes:

- Figures in percentages indicate the breakdown of origin of brands sold in Hong Kong and Macau in 2016/17. 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.

## Quality, Responsibility and Safety

Product safety and quality are fundamental to what we offer our customers. A number of our key supply chain processes are certified by third parties according to ISO9001:2008, including Logistics, Category Management and Product Development, and Customer Service for both our physical stores and online operations in Hong Kong. Significant efforts have been invested to ensure 100% customer satisfaction with our products.

### 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 finished product; vendors' warranties for ingredient and product safety; and preference for vendors who are Good Manufacturing Practices certified. We also aim to continuously review the verification 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. We are pleased to report that there was again no case of product recall this financial year due to product safety or health issues. In the case of any potential issues with any of our products for quality, safety or health reasons, our management team will be directly involved in the discussion and decision making process, and the interests of our customers will always be placed as the top priority.

### Product Safety

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 expiry periods are offered to our customers. This stringent quality control system is followed through with digital tracking 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 intellectual property rights of others, we have requested warranties in most of our contracts with suppliers with a view to ensure that intellectual property rights are not infringed.

### Responsibility Towards Other Stakeholders

In addition to bearing responsibility towards our customers, we are committed to encouraging our suppliers to continuously improve their sustainability performance in regard to the environmental and social agenda. This commitment is embedded within our Responsible Product and Supply Chain Policy, as well as being integrated into our current ISO process for engaging new suppliers. Our supplier evaluation includes preferential selection of suppliers that embed the following aspects in their business: protection of the environment, protection of labour welfare and rights, provision of equal opportunities, non participation in animal testing, protection of endangered species and responsibility for own sourcing.

## Back End Data System Optimisation and Connectivity

In our O2O transformation journey, it is part of our ultimate goal to serve our customer so that products are offered to them even before they recognise their need for them. Achieving this high level of service requires seamless connectivity between our supply chain and our customer value chain, with clear mapping across customer and product data.

As a start to the transformation journey, a number of core touch points and backend systems have already undergone initial review during this period in order to assess their readiness for transformation, and to identify gaps and potential system incompatibility issues. The hosting server for our e-commerce operation has already begun the transformation process, with the commencement of migration towards a more efficient cloud server host. A number of inventory logic processes and dashboards are also undergoing review to ensure that the applied logic is still relevant to their specific touch points and current customer behaviour. As the ongoing transformation journey will begins, we very much expect the outcome to truly enlighten and delight our customers.


# BONDING WITH OUR COMMUNITY

## Bringing the beauty of hope to families

Sa Sa recognises that as a good corporate citizen, we have a real responsibility for the community in which we operate. The results of our materiality assessment echo that commitment: "Charity, Community Involvement and Investment" are amongst the "Most Material" Issues selected by our stakeholders.

With our "Making Life Beautiful" aspiration in mind, we fervently desire that our presence in the community brings hope to individuals and families, so that their lives in turn become more beautiful.

## Our Approaches

A number of platforms have been established to effectively channel our manpower and financial resources towards supporting various meaningful causes:

The *Sa Sa Making Life Beautiful Charity Fund* ("the fund") was established in March 2013, with the vision of helping our community to realise inner harmony and true beauty through delivering our "Making Life Beautiful" philosophy from the heart. The fund is used as one of the primary vehicles for helping some of the Inland Revenue Department registered charities that are in need for support.

Donations:
**$3.1m**

Total volunteer hours:
**1,253 hours**

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 various Sa Sa activities. To further strengthen our corporate mission of helping the community, the *Charity Committee* was set up this financial year with invited representatives from all major departments of the Company. The Committee provides a platform where staff can bond with like minded individuals from different parts of the organisation.

## Involvements Within the Community

Our involvement in the community has mainly focused on four key areas this year, with the aim of creating a better future and bringing hope to:

- youth and sports;
- the aged and unwell;
- families and the poor; and
- Hong Kong in its progress towards greater harmony.

### Bringing the Future to Youth

Our youth of today is the future of our society tomorrow. We hope that our contribution towards young people's well-being will help them to be more complete and confident, and therefore more able to truly shine in the future.

#### Bringing Confidence to Young People – Partnership with IVE

Sa Sa made a commitment in June 2016 to provide students of Business Administration at Hong Kong Institute of Vocational Education ("IVE") with "Business Grooming & Etiquette" classes, the aim being to enhance their confidence and beauty-care skills. With classes already beginning in 2017, students are provided with the opportunity to learn about skincare, grooming and make-up in terms of knowledge and techniques that are becoming essential to professional life. It is expected that over 1,000 students will benefit from the one year commitment from Sa Sa. Students that perform well in class are also provided with opportunities for scholarship and internship with Sa Sa to further their interest.


### UNICEF Charity Run – Run For AIDS to ZERO

Sa Sa sponsored the UNICEF Charity Run this year, sending a corporate team to participate in and raise funds for the event. The funds raised will contribute towards the UNICEF AIDS to ZERO campaign, providing medical solutions for developing countries and reducing children's risk of HIV infection.


Credit to: Hong Kong Table Tennis Association

### Sports Development for Hong Kong

In support of the development of sports in Hong Kong, Sa Sa provided a team to participate in the Hong Kong Table Tennis Open, with the Men's Grade A winning the championship. Since the team consisted of international level players such as TANG Peng, the quality of the play drew large crowds from the local sports and youth community that showed their strong appreciation of the competition.

## A Future and Hope for the Aged and Unwell

Hong Kong faces increasing challenges from an ageing population and arising public health care burden. Sa Sa is therefore committed to s building a caring culture for the elderly, and where possible to contributing to disease prevention and intervention. Some of our programmes this year include:

### Po Leung Kuk – Elderly Home Visit

Sa Sa is a sponsor and supporting organisation of the annual PLK Elderly Home Visit. This year, with our Chairman and Vice Chairman joining them, our colleagues and their family members participated in a visit to the elderly neighborhood at Kai Ching Estate near Kowloon Bay.

Each volunteer pairs with a partner for the visit. Those elderly people that live on their own are given priority preference to receive a visit.


### Pink Heels Race

In order to support the Hong Kong Hereditary Breast Cancer Family Registry, Sa Sa sponsored and participated in the Pink Heels Race this year.

The event aimed at promoting knowledge and risk awareness of hereditary breast, ovarian and prostate cancers caused by BRCA gene mutation, and also at raising funds for supporting under-served high-risk families to undergo BRCA testing and to benefit from genetic counselling services in the community.

## A Future for Families and The Poor

Not every child is fortunate enough to be born in family that provides sufficient resources for them to meet their basic needs. With nearly 1 million people in Hong Kong still living below the poverty line, according to government report published in 2016 (less than HK$3,800 per month income for a single person family), we believe that it is important for Sa Sa to play a role as part of the solution.


### Hong Kong & Kowloon Walk for Millions – Community Chest

Hong Kong & Kowloon Walk for Millions has been a signature charity event for Hong Kong for many years. In 2016, Sa Sa supported the event by sponsoring and sending a corporate team to join the Walk. 100% of the funds raised from the event went towards maintaining and strengthening family bonds and to assisting family members to establish mutual support.



### Partnership Fund for the Disadvantaged

Sa Sa was recognised this year with the "Outstanding Contribution Award" for our efforts in helping the disadvantaged through the government matching grants scheme. The Partnership Fund is part of the government's effort to encourage companies to invest in society, through providing a matching donation for a charity event that a company chooses to support.

### Heifer – Race to Feed 2016

As part of our continued support for Heifer work in poverty alleviation, Sa Sa was the Village Sponsor of the Race to Feed, which Sa Sa assisted in the form of cash and a racing team. Adding to the vibrancy of the event, our makeup artists provided a free face painting popup booth service, adding fun to the event.

## Hope for a Harmonious Hong Kong – We Like Hong Kong

With Sa Sa being founded and having our headquarters in Hong Kong, the city is home to over 50% of Sa Sa employees. As part of our support for building a city that is filled with positive energy and a culture of appreciation, Sa Sa participated in the We Like HK campaign. The campaign involved the promotion of care, love and appreciation of Hong Kong through sharing on various media channels and providing various shopping, eating and entertainment offerings.


The We Like HK launch campaign in August 2016 was supported by Sa Sa, along with other retail, entertainment, travel, food and beverage organisations, allowing everyone to share together in the creation of positive energy for a better Hong Kong.

Over 50 Sa Sa volunteers joined in the event, fuelling its momentum for a significant leap forward.

## Sa Sa Charity Concert

As Sa Sa approaches its 40th anniversary, Sa Sa organised a charity concert in place of our traditional annual dinner, with around 3,000 colleagues and guests taking part in an evening filled with entertainment and love. The concert was presented by some of the top artists in Hong Kong, include Hacken Lee, Vivian Chow and Kit Chan, to name just a few.

As part of the concert, Sa Sa helped PLK to raise funds through the collection of donations from all the concert attendees, and these donations were matched dollar for dollar by our Vice Chairman. Young performers from various PLK schools and the Directors of PLK also took part in sharing their talent with the crowds.

Total proceeds of around HK$2 million were donated to PLK.


## Our Dedication Towards a Beautiful Hong Kong

It has been a year in which Sa Sa's involvement in the community rose significantly, more so with our Sa Sa Vice Chairman being appointed Chairman of PLK for the term of one year, from 1 April 2016 to 31 March 2017. Our Vice Chairman was interviewed as part of this report to share with you some of the work of PLK.

# BONDING WITH OUR COMMUNITY

It has been a meaningful and extraordinary year for me at Sa Sa, as I accompany the company on its journey towards our 40th anniversary. In addition to my usual responsibilities as Sa Sa's Vice Chairman, this year I was honoured to be appointed Chairman of Po Leung Kuk. Looking back on a very busy year when I essentially occupied two full-time positions, and often found I could afford only four hours sleep, I feel that it was all worth it. The changes that I witnessed at both Sa Sa and Po Leung Kuk, the lessons I learned, and the memories of working together with all those who shared this journey with me, are going to stay with me for the rest of my life.

"Dr KWOK Siu Ming Simon and Dr KWOK Law Kwai Chun Eleanor Scholarship Fund" Establishment Ceremony
To sponsor students with outstanding public exam results to pursue bachelor degrees at local university.

Po Leung Kuk Eleanor KWOK Law Kwai Chun Kindergarten Opening Ceremony
To nurture young children's interests towards innovation technology.

A family-themed charity dinner promoting charitable support passed on through generations.
Mr Patrick KWOK and Mr Kenny LO performed in the rock climbing session and kicked off the charity performances.

Po Leung Kuk Chairman (2016-17) Eleanor KWOK Chinese Medicine Mobile Clinic Opening and Dedication Ceremony
To provide quality, convenient and affordable Chinese medicine services to the community.

Donated by Dr KWOK Law Kwai Chun, Eleanor
Donated by Sa Sa Making Life Beautiful Charity Fund

District Elderly Campaign
Po Leung Kuk Board of Directors, corporate sponsor, artist and over 1000 elders at the closing ceremony.

Po Leung Kuk Chinese New Year Charity Walk
To raise fund for further strengthening of the multi-faceted services.

I am particularly thankful for my caring family and friends, who advised me on several occasions to decline the position of Po Leung Kuk Chairman, voicing their concerns over my health. But I persisted because of the meaning of the job which is "Protecting the Young and the Innocent" so that beauty can continue to propagate.

## Creating beauty from a fulfilling lifestyle

The senior citizens of Hong Kong have made a tremendous contribution to our city, and I believe it is our duty to ensure that they can enjoy their twilight years in a peaceful and enriching way. One of the most meaningful activities I took part in this year involved joining our Sa Sa volunteers when they visited senior citizens who are living alone. It moved me that we could bring them a small gift and a heart full of care as we listened to their sharing of their time in Hong Kong. My personal experience of minor illness this year led me to rethink the importance of health and costs associated with ill health. For this reason, through the "MedSoLink" service platform with Po Leung Kuk, I have donated a mobile Chinese Medicine clinic this year, with the aim of providing high quality and affordable Chinese Medical Services to the people most in need.

## Spreading virtue and beauty from the heart

As I commute to work daily, I sometimes hear heart-wrenching news about students resorting to suicide to escape from stressful schoolwork. It is my belief that children should be entitled to a happy childhood, which is why this year, I have made donations specifically in support of the opening up of a kindergarten. The focus of the kindergarten is to promote the educational concept of "learning through play", so that children can learn in a relaxing environment.

To pass on our legacy to the future, we must nurture our successors. I believe that the successors of the future should possess traits of strong leadership, the capability of independent and critical thinking, and unbounded creativity. This year, my husband and I set up a scholarship with the goal of providing financial aid and encouragement for students with outstanding grades or who aim to be enrolled in occupational therapy and physiotherapy programmes at local universities, so that one day they will be of great service to the public through their acquired knowledge.

## Beauty as your companion

Performing good deeds and practicing virtue are not as difficult as one might imagine. For instance, Po Leung Kuk organised a charity walk this year in an effort to deliver financial and emotional support to the disadvantaged, while Sa Sa took an active part with colleagues and friends dressed up as zodiac animals to echo the event's theme of "Twelve Zodiac Animals Celebrating the Year of the Rooster". In addition, we broke with our tradition of holding an annual dinner this year by turning the event into a charity concert featuring performances from many popular singing stars, with all proceeds being donated to Po Leung Kuk.

## Shall beauty propagate

The coda to one section of a musical movement is often the introduction to another. As I ushered Po Leung Kuk towards a brand new chapter last year, I felt Po Leung Kuk is filling me with vitality and providing new possibilities for my Making Life Beautiful journey. I look forward to meeting people with a beautiful heart so that together we can continue to compose melodies that beauty can propagate to future generations.

## Nurturing Green Leaders

Glocal Greenovation Challenge ("GGC") is a competition fully funded by money collected by Sa Sa via the Environmental Levy Scheme on Plastic Shopping Bags. As part of GCC, a banquet was organised for the winning team of the competition – Team GreenAct – with the aim of further facilitating opportunities for collaboration and delivery of their Green Mobile App, which was designed under GGC. With the venue and food being generously sponsored by The Peninsula Hong Kong, GreenAct was provided with exclusive access to senior representatives from the Environment Bureau (the honorary guest was Ms Christine Loh, JP, the then Under Secretary for the Environment), MTR Corporation, Hong Kong Polytechnic University, Links REIT and hosting organizations Sa Sa and Voltra.


## Recognition of Sa Sa's Contribution to the Community

### Outstanding Social Caring Organisation Award – by Social Enterprise Research Institute

In recognition of Sa Sa's leadership and continuous commitment to corporate innovation and sustainability, Sa Sa Vice Chairman Dr Eleanor Kwok was awarded the – "Outstanding Social Caring Organisation Award" this year as part of the 5th Social Caring Pledge Scheme Award presented by the Social Enterprise Research Institute.

The Nobel Laureate selects and honours leaders from across industry sectors in Asia for their outstanding contribution to social environment protection, human rights, labour standards, anti-corruption policies and customer care.


# ABOUT THIS REPORT

This report covers Sa Sa's ESG related activities and performance for the year ending 31 March 2017.

This report is prepared in accordance with the HKEx ESG Reporting Guide under Appendix 27 to the Listing Rules, and has complied with all "Comply or Explain" provisions that became effective from 1 January 2016, covering "General Disclosures" under each aspect of the ESG Reporting Guide. Reference to relevant KPIs can be found in the HKEx ESG Reporting Guide Content Index (p.104-105).

## Scope

Unless otherwise specified, the ESG report covers Sa Sa's operations in Hong Kong and Macau only, which represent the core of all our operations, contributing over 80% of our Group's turnover in the year ended 31 March 2017.

## Feedback

Readers are invited to share comments, suggestions and thoughts on our ESG report or our sustainability performance by filling in the online survey or reaching us at esg@sasa.com

## Sustainability Data Statement – Social

| | FY2016/17 | | FY2015/16 | |
|---|---|---|---|---|
| | Total headcount | Fulltime employee turnover rate[1] | Total headcount | Fulltime employee turnover rate[1] |
| **By Geographical Locations** | | | | |
| Hong Kong & Macau | 3,130 | 3.9% | 3,152 | 4.3% |
| Mainland China | 660 | 7.7% | 656 | 8.5% |
| Taiwan | 266 | 6.4% | 330 | 7.0% |
| Singapore | 175 | 7.1% | 220 | 5.5% |
| Malaysia | 616 | 5.5% | 540 | 5.5% |
| **By Gender** | | | | |
| Male | 843 | 5.0% | 846 | 5.0% |
| Female | 4,004 | 4.8% | 4,252 | 5.3% |
| **By Age Group** | | | | |
| Under 26 | 1,369 | 7.4% | 1,361 | 7.7% |
| 26-35 | 1,910 | 5.0% | 2,029 | 5.3% |
| 36-45 | 938 | 3.2% | 911 | 3.8% |
| 46-55 | 515 | 2.0% | 503 | 2.1% |
| Over 55 | 115 | 1.1% | 94 | 1.4% |
| **By Employment Type** | | | | |
| Full Time | 4,281 | 4.9% | 4,348 | 5.2% |
| Part-time/Temporary | 566 | – | 550 | – |

Data Footnotes:

[1] Fulltime employee turnover rate is calculated based on the average monthly fulltime staff departure during the year, dividing by the average staff number at the beginning and end of year.

## Sustainability Data Statement – Natural Environment

The environmental data covers our operation in Hong Kong and Macau only.

| | | Unit | 2016/17 | 2015/16 | 2014/15 |
|---|---|---|---|---|---|
| **GHG Emission**[1] | | **$tCO_2e$** | **17,217** | **17,916** | **19,498** |
| Scope 1 | Company-owned transport fleet and employee owned vehicles used for business purposes | $tCO_2e$ | 159 | 148 | 137 |
| Scope 2 | Purchased electricity used in our offices, warehouse and stores[2] | $tCO_2e$ | 16,619 | 17,511 | 19,063 |
| Scope 3 | Business air travel | $tCO_2e$ | 92 | 125 | 143 |
| | Fresh water supply and sewage treatment | $tCO_2e$ | 18 | 19 | 18 |
| | Paper disposal at landfills[3] | $tCO_2e$ | 88 | 112 | 137 |
| | Transport fleet owned by the external logistics operators[4] | $tCO_2e$ | 242 | – | – |
| **Carbon Intensity** | | kg $CO_2e$/sqm GFA | 299 | **311** | **363** |
| | | kg $CO_2e$/HK$1m revenue[5] | 2,748 | 2,858 | 2,664 |
| **Electricity Consumption** | | **MWh** | **24,941** | **26,406** | **26,392** |
| Stores | | MWh | 20,919 | 22,504 | 23,105 |
| Offices | | MWh | 1,623 | 1,629 | 1,407 |
| Logistic centers | | MWh | 2,399 | 2,273 | 1,880 |
| **Electricity Intensity** | | kWh/sqm GFA | 434 | 458 | 491 |
| | | kg $CO_2e$/HK$1m revenue[5] | 2,651 | 2,793 | 2,604 |
| **Water Consumption** | | **cu.m** | **30,733** | **33,514** | **30,691** |
| **Water Intensity** | | cu.m/sqm GFA | 0.00288 | 0.00303 | 0.00244 |
| | | kg $CO_2e$/HK$1m revenue[5] | 0.313 | 0.330 | 0.332 |

Data Footnotes:
1 GHG emissions are calculated in accordance with the *Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong (2010 Edition)* issued by the Electrical and Mechanical Services Department and Environmental Protection Department. Scope 1 and 2 (direct emissions) are calculated for all stores, offices and logistics center in Hong Kong and Macau, while Scope 3 includes indirect GHG emissions from sources not owned or directly controlled by the Company but related to our activities.
2 Emissions associated with electricity purchased are based on latest available emission factors provided by power companies. Previously published data for 2014/15 and 2015/16 are restated due to updated emission factors for our operations in Macau and improved estimations.
3 GHG emissions avoided by recycling of paper have been incorporated.
4 Since 2016/17, we extend the coverage of scope 3 emissions by incorporate GHG emissions resulting from distribution and logistics operations carried out by external logistics operators based on the vehicles used to transport the product from our logistics centers to our stores. Here the data for 2016/17 is not directly comparable to data for 2014/15 and 2015/16.
5 Previously published data for 2014/15 and 2015/16 are restated due to revisions in Company's turnover.


| | Unit | 2016/17 | 2015/16 | 2014/15 |
|---|---|---|---|---|
| **Vehicle Fuel Consumption** | **'000L** | **140** | **54** | **50** |
| Company-owned transport fleet and employee owned vehicles used for business purposes | '000L | 59 | 54 | 50 |
| Transport fleet owned by the external logistics operators[6] | '000L | 82 | – | – |
| **Vehicle Fuel Efficiency** | L/sqm | 2.44 | 0.94 | 0.93 |
| | $\text{kg CO}_2\text{e/HK\$1m}$ revenue[5] | 64 | 24 | 19 |
| **Vehicle Sulphur Oxides (SOx) Emission[7]** | **g** | **2,115** | **–** | **–** |
| **Paper Consumption** | **kg** | **43,176** | **47,771** | **47,056** |
| | '000 pcs | 8,631 | 9,547 | 9,316 |
| **Paper Use Intensity** | pcs/headcount | 2,737 | 3,028 | 2,872 |
| | $\text{kg CO}_2\text{e/HK\$1m}$ revenue[5] | 14 | 18 | 19 |
| **Business Air Travel** | **'000 km travelled** | **595** | **804** | **929** |
| **Business Air Travel Intensity** | km travelled/ headcount | 190 | 255 | 286 |
| | $\text{kg CO}_2\text{e/HK\$1m}$ revenue[5] | 1.6 | 2.2 | 2.7 |
| **Carton Box Consumed[8]** | **'000 pcs** | **410** | **305** | **–** |
| **Carton Box Collected for Reuse** | **'000 pcs** | **278** | **175** | **–** |
| **Shopping Bag Consumption[9]** | **'000 pcs** | **2,646** | **2,529** | **2,805** |
| **Shopping Bag Consumption Intensity** | pcs/HK$1m revenue[5,10] | 428 | 409 | 388 |
| **Natural Resources Recycled[11]** | | | | |
| Paper | kg | 24,894 | 24,369 | 18,602 |
| Plastic | kg | 102 | 38 | – |
| Aluminum | kg | 87 | 65 | – |
| **General Waste[11]** | kg | 26,043 | 23,907 | – |
| **Hazardous Waste[12]** | kg | 1,696 | 3,874 | – |

Data Footnotes:

6 Figures from the external logistics operators have been added to the reporting scope since 2016/17.
7 SOx emissions calculated in accordance with the *Appendix 2: Reporting Guidance in Environmental KPIs* issued by HKEx.
8 The program was started in July 2015. Hence, the data for 2016/17 is not directly comparable to data for 2015/16.
9 The quantity of shopping bag delivered with respect to the levy on plastic shopping bags under the Product Eco-responsibility Ordinance (Cap. 602).
10 Cover the turnover to Hong Kong only.
11 Cover offices only.
12 Surplus products containing chemical waste as defined in Waste Disposal (Chemical Waste) (General) Regulation (Cap. 354C).

Due to rounding, numbers presented throughout the ESG Report may not add up precisely to the totals.

## HKEx ESG Reporting Guide Content Index

| Subject Areas, Aspects, General Disclosure and KPIs | Description | Disclosure Level | Reference Page |
|---|---|---|---|
| **A. Environmental<br>Aspect A1: Emissions** | | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste | Fully Reported | P.63 – 64, 77, 82 |
| KPI A1.1 | The types of emissions and respective emissions data | Partially Reported | P.79, 102 – 103 |
| KPI A1.2 | Greenhouse gas emissions in total and, where appropriate, intensity | Fully Reported | P.79,102 – 103 |
| KPI A1.3 | Total hazardous waste produced and, where appropriate, intensity | Partially Reported | P.103 |
| KPI A1.4 | Total non-hazardous waste produced and, where appropriate, intensity | Partially Reported | P.81,103 |
| KPI A1.5 | Description of measures to mitigate emissions and results achieved | Partially Reported | P.79 – 80 |
| KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved | Partially Reported | P.81 – 82 |
| **Aspect A2: Use of Resources** | | | |
| General Disclosure | Policies on the efficient use of resources including energy, water and other raw materials | Fully Reported | P.63 – 64, 77 |
| KPI A2.1 | Direct and/or indirect energy consumption by type in total and intensity | Fully Reported | P.80, 102 |
| KPI A2.2 | Water consumption in total and intensity | Fully Reported | P.81, 102 |
| KPI A2.3 | Description of energy use efficiency initiatives and results achieved | Fully Reported | P.80 |
| KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved | Not Reported | Not Available |
| KPI A2.5 | Total packaging material used for finished products and, if applicable, with reference to per unit produced | Partially Reported | P.81 – 82, 103 |
| **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.63 – 64, 77 |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them | Partially Reported | P.78 |
| **B. Social<br>Employment and Labour Practices<br>Aspect B1: Employment** | | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(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 | Fully Reported | P.63 – 64, 68 |
| KPI B1.1 | Total workforce by gender, employment type, age group and geographical region | Fully Reported | P.69, 101 |
| KPI B1.2 | Employee turnover rate by gender, age group and geographical region | Fully Reported | P.101 |
| **Aspect B2: Health and Safety** | | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(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 | Fully Reported | P.63 – 64, 76 |
| KPI B2.1 | Number and rate of work-related fatalities | Fully Reported | P.76 |
| KPI B2.2 | Lost days due to work injury | Fully Reported | P.76 |
| KPI B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored | Fully Reported | P.75 – 76 |


| Subject Areas, Aspects, General Disclosure and KPIs | Description | Disclosure Level | Reference Page |
|---|---|---|---|
| **Aspect B3: Development and Training** | | | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities | Fully Reported | P.63 – 64, 70 – 73 |
| KPI B3.1 | The percentage of employees trained by gender and employee category | Not Reported | Not Available |
| KPI B3.2 | The average training hours completed per employee by gender and employee category | Not Reported | Not Available |
| **Aspect B4: Labour Standards** | | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour | Fully Reported | P.63, 76 |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour | Fully Reported | P.76 |
| KPI B4.2 | Description of steps taken to eliminate child and forced labour practices when discovered | Not Reported | Not Available |
| **Operating Practices**<br>**Aspect B5: Supply Chain Management** | | | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain | Fully Reported | P.63 – 64 |
| KPI B5.1 | Number of suppliers by geographical region | Not Reported | Not Available |
| 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.92 |
| **Aspect B6: Product Responsibility** | | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(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 | Fully Reported | P.63 – 64, 86 – 87, 90 |
| KPI B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons | Fully Reported | P.92 |
| KPI B6.2 | Number of products and service related complaints received and how they are dealt with | Fully Reported | P.90 |
| KPI B6.3 | Description of practices relating to observing and protecting intellectual property rights | Partially Reported | P.92 |
| KPI B6.4 | Description of quality assurance process and recall procedures | Fully Reported | P.92 |
| KPI B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored | Partially Reported | P.90 |
| **Aspect B7: Anti-corruption** | | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(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.75 |
| 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.75 |
| KPI B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored | Fully Reported | P.75 |
| **Community**<br>**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 the communities' interests | Fully Reported | P.64, 93 |
| KPI B8.1 | Focus areas of contribution | Fully Reported | P.93 – 100 |
| KPI B8.2 | Resources contributed to the focus areas | Fully Reported | P.93 – 100 |

# 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 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 publicly available information.

### Institutional Investors

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

- Proactive participation in major conferences and non-deal roadshows in Hong Kong and across countries in Asia, Europe and North America.
- Interim and Annual Results Analyst Presentation with webcast for those who cannot attend.
- Quarterly Analyst Conference Call was conducted in the first and third quarter to promote timely and efficient communications on important updates of the Group.

### 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 23 have already covered our company. During the year, a total of around 130 research reports covering Sa Sa has been published by securities firms in Hong Kong market.

Annual General Meeting 2016

FY 2016/17 Annual Results Analyst Presentation

## Close Engagement with Institutional Investors

**14**
Major conferences
(FY 2015/16: 12)

**8**
Non-deal roadshows
(FY 2015/16: 8)

**91**
Investor participants for Annual Results Analyst Presentation
(FY 2015/16: 75)

**77**
Investor participants for Interim Results Analyst Presentation
(FY 2015/16: 70)

## Frequent Contacts with Investment Community

**>900**
Analysts, fund managers and Institutional investors
(FY 2015/16: Over 1,150)

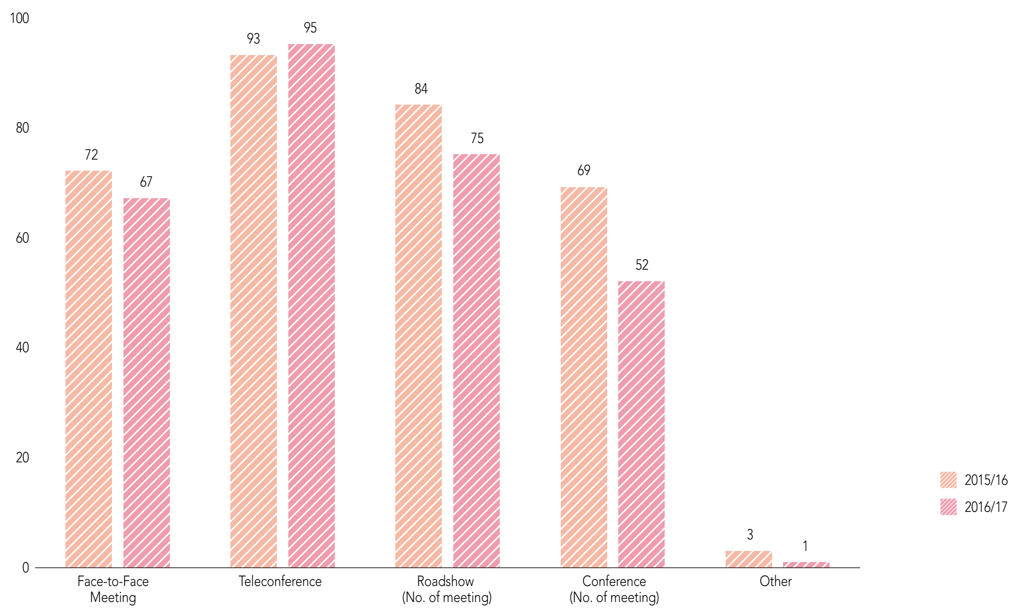
**23**
Analysts covering Sa Sa
(FY 2015/16: 25)

**~130**
Research reports
(FY 2015/16: Over 140)

- 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.

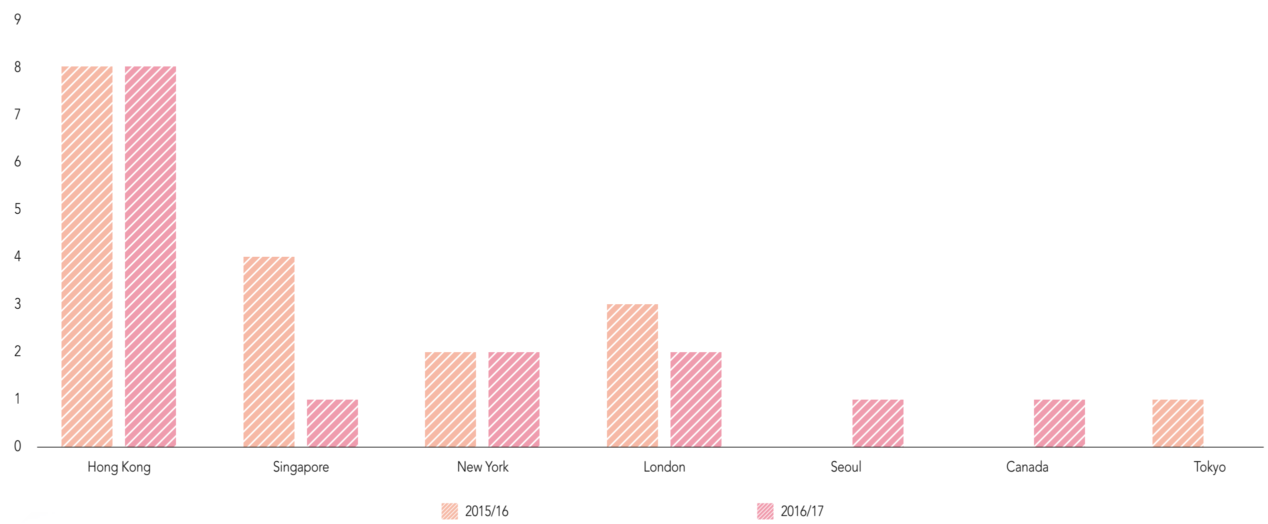
## Investor Relations Activities Analysis

### No. of Event by Type



## Roadshow and Conference

| FY 2016/17 | Event | Organiser | Location |
|---|---|---|---|
| Q1 | Post-results Update | Deutsche Bank | Hong Kong |
| | Post-results Update | DBS Vickers | Singapore |
| | 19th Annual Asian Investment Conference | Credit Suisse | Hong Kong |
| | Greater China London Forum | J.P. Morgan | United Kingdom (London) |
| Q2 | Non-deal Roadshow | J.P. Morgan | U.S.A. (New York) |
| | Hong Kong Retail Corporate Day | Nomura | Hong Kong |
| | China Mid-Cap H-/A-share Conference | Citi | Hong Kong |
| Q3 | Post-results Roadshow | CLSA | United Kingdom (London) |
| | Non-deal Roadshow | Deutsche Bank | Hong Kong |
| | Securities "Interconnection Market" Seminar | Citi | Hong Kong |
| Q4 | Roadshow | Morgan Stanley | U.S.A. (New York) |
| | Roadshow | CIBC | Canada |
| | Hong Kong and China Corporate Day 2017 | Citi | Hong Kong |
| | Korea Conference 2017 | J.P. Morgan | Korea (Seoul) |
| | Stock Connect Onshore Corporate Access Day | HKIRA | Hong Kong |
| | Consumer and Gaming Corporate Day | Nomura | Hong Kong |




Note: Bar in red: Number of conference and post-results non-deal roadshow participated for FY 2016/17.

Bar in orange: Number of conference and post-results non-deal roadshow participated for FY 2015/16.

## Communication Initiatives for The Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect Programmes

Sa Sa has been a constituent stock in the Hang Seng Composite MidCap Index for six consecutive years and becomes a qualified stock in the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect Programme, and is open for trading by investors in Mainland Chinese stock market starting from November 2014 and December 2016 respectively.

Prior to the launch of the Shanghai-Hong Kong-Stock Connect and Shenzhen-Hong Kong Stock Connect programme, the management already communicated with the Board of Director to prepare Sa Sa for the possible initiatives for these programmes. Since the launch of the programmes, 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, 0.6% of the Company's total issued capital was held by Mainland Chinese investors through China Securities Depositor and Clearing Limited as of 31 March 2017.

## 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 30 August 2016, 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 22 July 2016. All proposed ordinary resolutions were passed by way of poll votings at the AGM.

The 2017 AGM will be held at Sa Sa Supreme, 2nd Floor, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong, on 29 August 2017 (Tuesday) at 12:30 p.m..

## Shareholders' Rights

Shareholders can make a request to convene a general meeting on the written requisition of any two or more Shareholders or on the written requisition of any one Shareholder 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.

## 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

- 2016 – 2017 constituent member

Hang Seng Corporate Sustainability Index Series Member 2016-2017

### The 3rd HKIRA Investor Relations Awards Small-Cap Category

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


### IR Magazine Investor Perception Study Asia 2016/17

- 7th in Greater China Ranking
- Global Top 50 Silver 2016


### Hong Kong Management Association Best Annual Reports Awards 2016

- Honourable Mention


## Mercomm, Inc. – International ARC Awards 2016 (The Group's 2014/15 Annual Report)


- Gold Award in the category of Retail (Specialty Stores): Printing & Production
- Honours Award in the category of Retail (Specialty Stores): Cover Photo/Design

## Mercomm, Inc. – Galaxy Awards 2016 (The Group's 2015/16 Annual Report)


- Silver in "Design – Bound Publications: Annual Reports – Traditional: Hong Kong"

## League of American Communications Professionals – 《2015 Vision》 (The Group's 2015/16 Annual Report)


- Gold Award in the category of Consumer Services – Other
- Top 50 Chinese Annual Reports

For details of the full list of recognitions, please refer to the "Awards and Recognitions" section on pages 12 to 21 of this Annual Report.

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

## Shareholding Structure

According to the Company's share registrar, Sa Sa had 1,595 registered shareholders as at 31 March 2017. 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 64.99%*. The 35.01% 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.

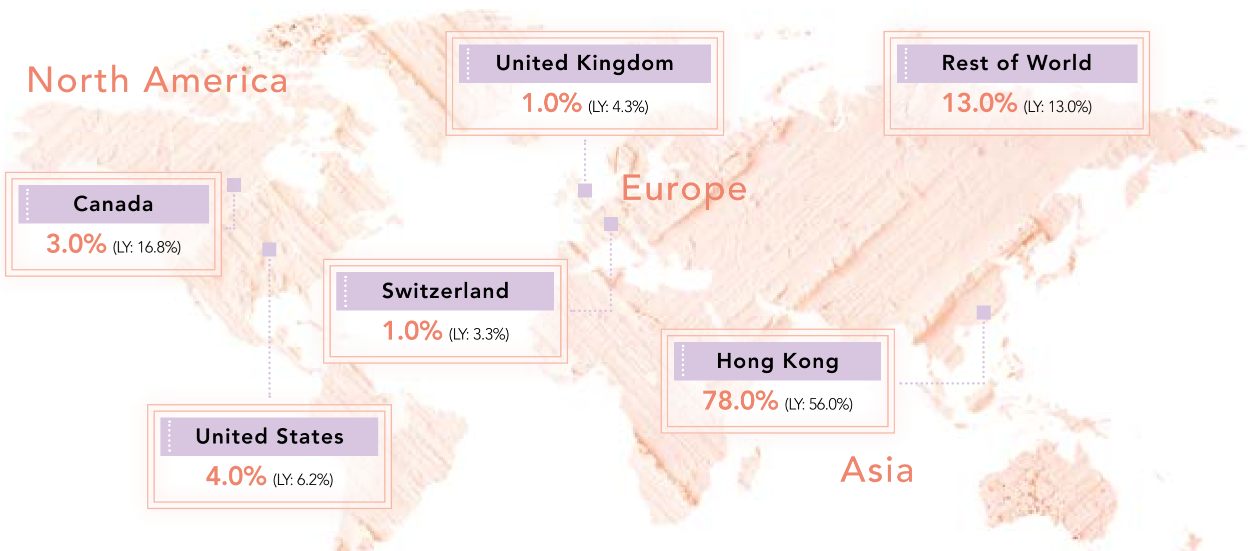
* *Please refer to pages 149 to 164 in the "Report of the Directors" of this Annual Report for details of the Directors' and Chief Executive's shareholding interests.*

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 2017, representing 99.3% of the total issued capital.

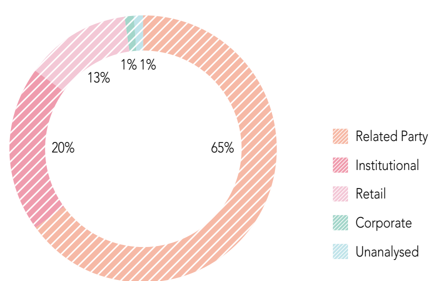
According to NASDAQ OMX's report, the Group's institutional shareholder base was composed of firms spanning across 23 countries, and accounted for 19.9% of the Company's total issued capital as at 31 March 2017, while the low turnover orientation# accounted for 65.6% of the total institutional shareholders.

# *Average holding period exceeds 24 months.*

### Total Shares by Geography




### Total Shareholder Composition



# Shareholders Information

## Financial Calendar

| | |
|---|---|
| FY 2016/17 interim results announcement | 23 November 2016 |
| Closure of register of members | 8-9 December 2016 (both days inclusive) |
| Payment of 2016/17 interim and special dividends | 19 January 2017 |
| FY 2016/17 annual results announcement | 15 June 2017 |
| For determining shareholders' eligibility to attend and vote at AGM | |
| Closure of register of members | 28-29 August 2017 (both days inclusive) |
| Record Date for eligibility to attend and vote at AGM | 29 August 2017 |
| Annual General Meeting | 29 August 2017 |
| For determining entitlement to the final and special dividends (if payable) | |
| Closure of register of members | 4-5 September 2017 (both days inclusive) |
| Record Date | 5 September 2017 |
| Proposed payment Date of FY 2016/17 final dividends (if payable) | On or around 16 October 2017 |
| FY 2017/18 interim results announcement | Mid to late November 2017 |

## Share Listing

| | |
|---|---|
| First listed on the Stock Exchange of Hong Kong | 13 June 1997 |

## Listing and Stock Codes

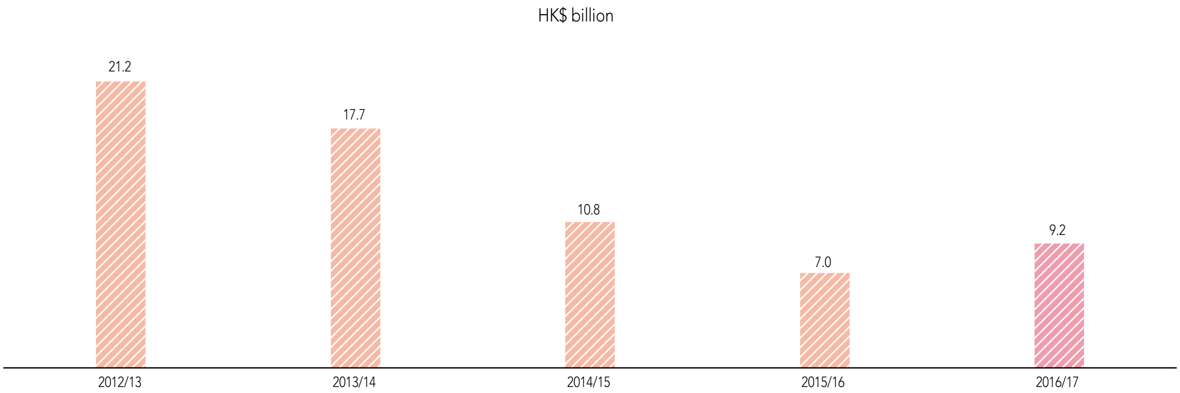
| | |
|---|---|
| Ordinary Shares | |
| The Stock Exchange of Hong Kong | 178 |
| Bloomberg | 178 HK Equity |
| Reuters | 0178.HK |
| ADR Level 1 Programme | SAXJY |

## Stock Information

| | |
|---|---|
| Board lot | 2,000 shares |
| Nominal value per share | HK$0.1 |
| Number of ordinary shares issued as at 31 March 2017 | 2,994,441,370 |
| Public float as at 31 March 2017 | Approximately 34.8% |

| Share Performance | 2016/17 | 2015/16 |
|---|---|---|
| Closing price as at 31 March | HK$3.06 per share | HK$2.41 per share |
| Highest price during the financial year | HK$3.69 per share | HK$4.65 per share |
| Lowest price during the financial year | HK$2.28 per share | HK$2.04 per share |
| Average daily trading volume | 4.2 million shares | 4.4 million shares |
| Average daily trading amount | HK$13.2 million | HK$15.2 million |

## Market Capitalisation




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

## Dividend History

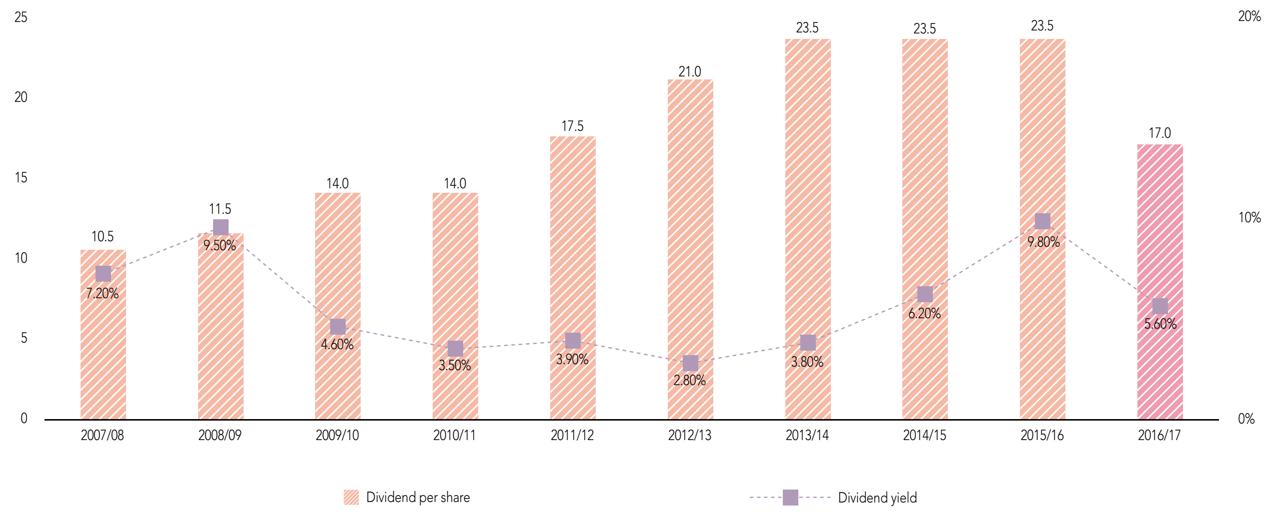
The Group will strive to maintain a consistently high dividend policy, taking into consideration the Group's cash flow, earning capacity and development plans. The final decision of the Board also takes into account any special circumstances.

## Dividend Per Share (HK Cents)

| | Basic | | Special | | | | Dividend |
|---|---|---|---|---|---|---|---|
| | | | | | | Dividend | Payout |
| Financial Year | Interim | Final | Interim | Final | Total | Yield (%) | Ratio |
| 2016/17 | 5.00 | 8.00 | 4.00 | 0.00 | 17.00* | 5.6 | 154.9% |
| 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% |

* *During the year, the final and interim basic and interim special dividends are payable in cash, with a scrip dividend alternative. As an incentive for shareholders to reinvest 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: Dividend yield is calculated based on the share price of the Company as at 31 March of the respective years.

## 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

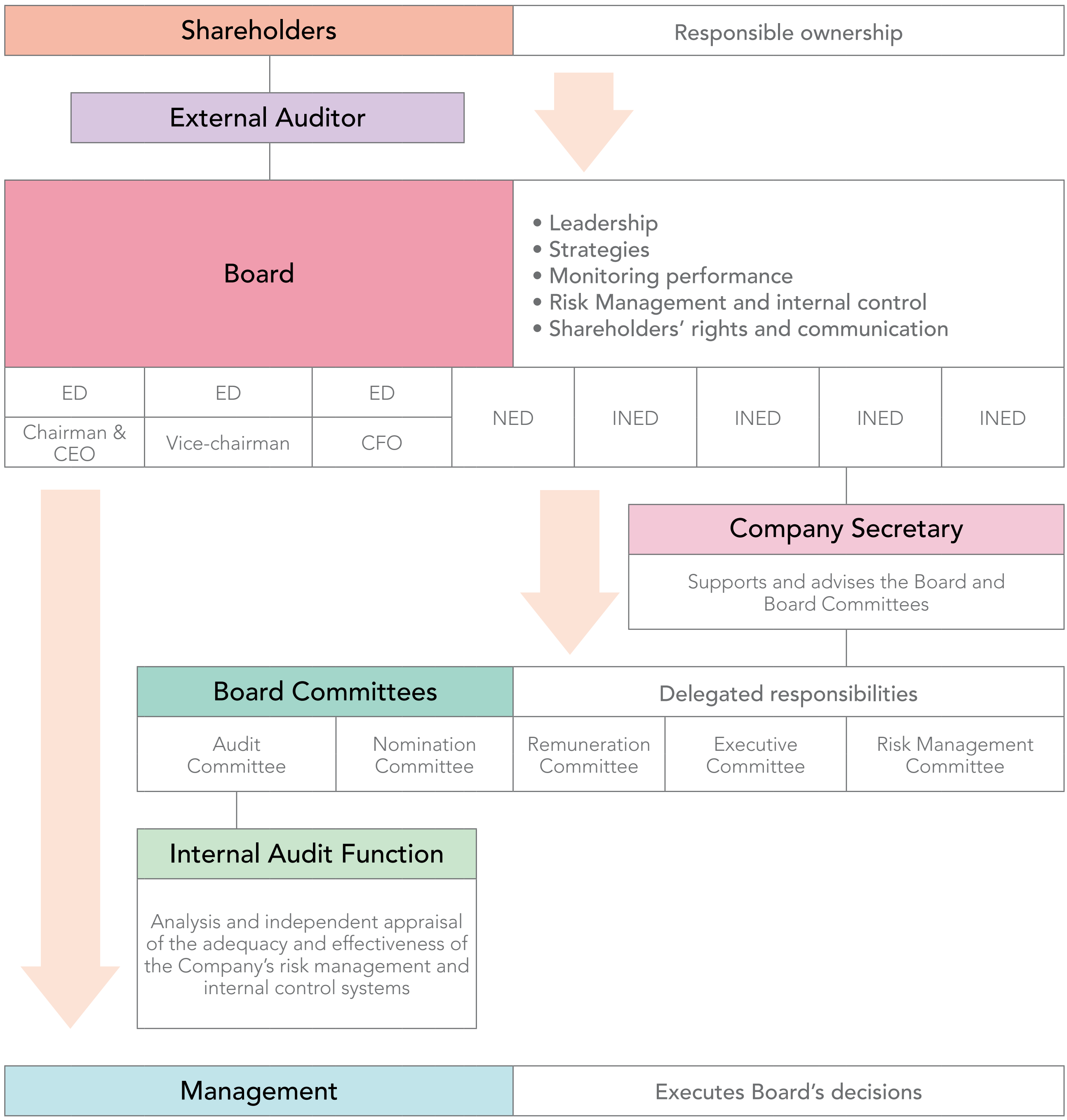
Shareholders can manage their shareholding online by creating an online Member Account with Tricor Investor Services Centre or use their online Holding Enquiry Services to enquire about holding details, such as company and personal particulars as well as share balance. For details, please visit www.tricoris.com.

"We recognise that high standards of corporate governance are fundamental to delivering strategic goals, building sustainable shareholder value and balancing stakeholders' interests. We are therefore committed to maintaining the highest standards of corporate governance."

**Dr Simon Kwok,** *SBS*[◊]*, JP*
Chairman and Chief Executive Officer

[◊] Since 30 June 2017

## Our Corporate Governance Structure



## Corporate Governance at Sa Sa

Clearly established procedures and process

Active participation by directors in regular Board meetings

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

Robust corporate governance structure, and rigorous internal control and risk management systems

Our Board of Directors views corporate governance as more than simply compliance

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

## Highlights in Corporate Governance Practices for 2016/2017

Below are the highlights of our ongoing initiatives for the development of our corporate governance practices during the year ended 31 March 2017:

### Board Evaluation

In 2016, we conducted our first ever Board evaluation by way of a questionnaire. The results of the evaluation were discussed at length at a Board meeting in June 2016 and provided valuable insights for the further and continuous development of the Board, which is key to the success of our governance structure.

### Nurturing a Culture of Good Corporate Governance

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

### Enhancing Directors' competence through continuous developments

In addition to reading regulatory and industry related updates provided by the Company Secretary on a regular basis, all directors have participated in in-house training on connected transactions, risk management and internal control, as well as ways to engage customers through the use of digital and mobile technology in the year ended 31 March 2017.

### Updating Terms of Reference and Internal Audit Charter to reflect regulatory changes

In light of the changes relating to risk management and internal control in the CG Code effective for the financial year beginning 1 April 2016, all relevant Terms of Reference for the Board and Board Committees have been updated and implemented in the financial year ended 31 March 2017.

## Our Recognition

- "Award for Corporate Governance Excellence" in the *Hong Kong Corporate Governance Excellence Awards 2016* organised by The Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance and Financial Policy of Hong Kong Baptist University
- Constituent of the Hang Seng Corporate Sustainability Benchmark Index since 2011
- Honourable Mention with regard to "Conformity with Disclosure Requirements" and "Understandability, Clarity and Conciseness" in the Best Annual Reports Awards 2016 organised by The Hong Kong Management Association

## Compliance with Corporate Governance Code (CG Code)

The CG Code is the standard against which we measure ourselves. Throughout the year ended 31 March 2017, we have complied with all but one of the code provisions in the CG Code, but we also exceeded the CG Code in the following aspects:

- ✓ Conducting Board evaluation and reviewing its results.
- ✓ 50% of our Board members are independent non-executive directors.
- ✓ We have formal criteria for the nomination and re-appointment of directors.
- ✓ We issue a formal letter of appointment for non-executive directors. The model letter deals with a range of matters regarding a director's appointment and responsibilities.
- ✓ All members of our Audit Committee are independent non-executive directors.
- ✓ The Audit Committee held two private meetings with the external auditor without the presence of any of our executive directors during the year.
- ✓ In addition to the Audit Committee, Nomination Committee and Remuneration Committee, we have established an Executive Committee and a Risk Management Committee, each with specific written terms of reference setting out clearly the individual committee's duties and authorities.
- ✓ The Board has established terms of reference, with a clear division of roles with management. These set out the Board's responsibility for formulation of strategy and its monitoring role.
- ✓ We have included a separate Enterprise Risk Management Report which sets out Sa Sa's risk management framework and how Sa Sa manages the Group's material risks in our annual report.
- ✓ We have a formal Environmental, Social and Corporate Governance Policy and have published an Environmental, Social and Governance Report since 2012.
- ✓ We voluntarily announced our unaudited operational information for all four quarters of the financial year as well as sales updates 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, 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 25 clear business days' notice for our annual general meetings.
- ✓ To further increase efficiency of communication, protection of the environment and to save costs for the Company, arrangements have been made since 2009 to ascertain shareholders' preference as to the means of receiving corporate communications.

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

## Composition of the Board and Board Committees

### Board*

Dr KWOK Siu Ming Simon (Chairman and Chief Executive Officer)
Dr KWOK LAW Kwai Chun Eleanor (Vice-chairman)
Dr LOOK Guy (Chief Financial Officer)

Ms LEE Yun Chun Marie-Christine
Dr LEUNG Kwok Fai Thomas
Ms TAM Wai Chu Maria
Ms KI Man Fung Leonie
Mr TAN Wee Seng

### Audit Committee

Mr TAN Wee Seng# (Chair)
Dr LEUNG Kwok Fai Thomas
Ms TAM Wai Chu Maria
Ms KI Man Fung Leonie

### Nomination Committee

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

### Remuneration Committee

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

### Executive Committee

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

### Risk Management Committee

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

Note:

* Professor CHAN Yuk Shee has resigned as independent non-executive director of the Company with effect from 1 January 2017. Following his resignation, Professor Chan ceased to be the chairman of the audit committee of the Company, also with effect from 1 January 2017.

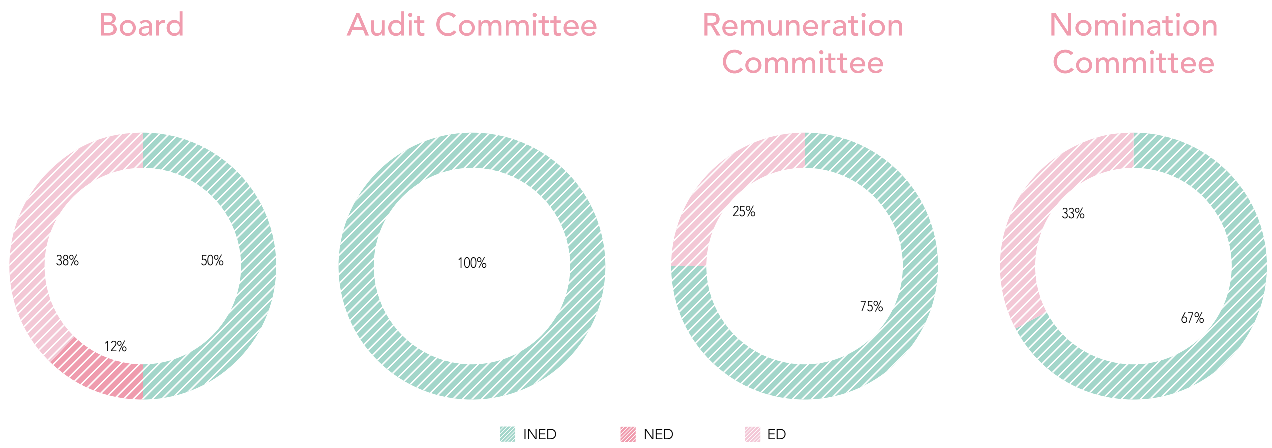
# Mr TAN Wee Seng has been appointed as the chairman of the audit committee with effect from 1 January 2017.

The Board has a balanced composition, comprising three executive directors, one non-executive director and four 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 52 to 59 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.

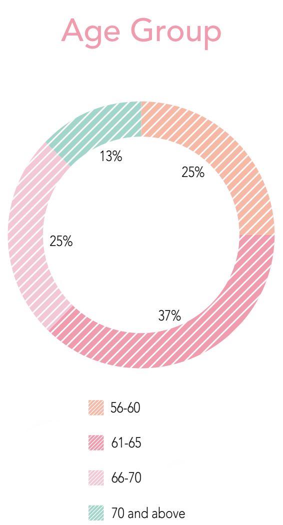
## Independence

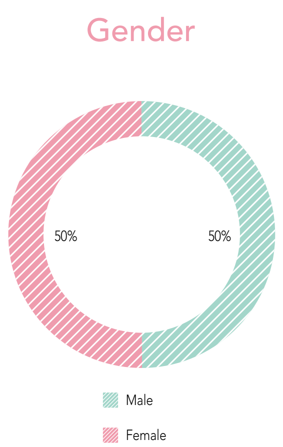
We have a strong element of independence on the Board, providing independent and objective oversight on strategic issues and performance matters.




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 well recognised that an individual's independence cannot be determined arbitrarily on the basis of a set period of time. In assessing the independence of INEDs, the Board and the Nomination Committee consider the 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 Dr LEUNG Kwok Fai Thomas, Ms TAM Wai Chu Maria and Ms KI Man Fung Leonie, despite their length of service, 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 of 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



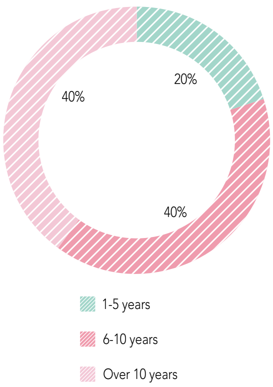




We believe that in an increasingly complex and fast changing business environment, diversity in the Board helps foster different perspectives and a varied Board composition means that the Board is more alert to different opportunities and risks. A strategy that aims at Board diversity leads to a greater 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.

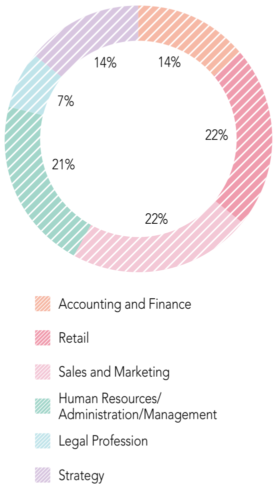
We have a highly diversified Board in terms of gender, academic background, nationality, professional experience, and industry experience. We have in place our own Board Diversity Policy setting out our approach to achieve diversity on the Board. This policy is subject to review on a regular basis and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

We have a high percentage of women sitting on our Board. 50% of our Board members are female.

Length of Services of Non-executive directors




Board member's Expertise




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. Half of our directors have either obtained a PhD or have been conferred an Honorary Doctorate degree. We have directors who are not of Chinese nationality, and also directors with in-depth knowledge of China, a market on which we place great emphasis.

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 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.

## Appointment and Re-election of Directors

All our non-executive directors (including INEDs) are appointed for a specific term of not more than three years. Newly appointed directors are required to offer themselves for re-election at the first AGM following their appointment. Under the articles of association of the Company, at least one-third of the Directors are subject to retirement by rotation at the AGM at least once every three years. If so recommended by the Nomination Committee, retiring Directors who are eligible may offer themselves for re-election by the shareholders at the AGM at which he or she retires.

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

Dr LEUNG Kwok Fai Thomas, Ms LEE Yun Chun Marie-Christine and Mr TAN Wee Seng will retire from office by rotation at the AGM to be held on 29 August 2017. Ms LEE Yun Chun Marie-Christine and Mr TAN Wee Seng, being eligible, will offer themselves for re-election. Dr LEUNG Kwok Fai Thomas, after having served on the Board for more than 17 years, will retire as Independent Non-executive Director of the Company upon conclusion of the AGM. Further details will be set out in the circular to be dispatched to the Shareholders with the notice of the AGM.

### Board Evaluation

A Board evaluation was conducted in 2016 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. Directors' feedback was analysed and discussed at a Board meeting held in June 2016 and it was concluded that the Board was operating effectively. Notwithstanding such conclusion, as the digital age continued to impact on consumer behaviour and ways with which we connect with customers and build brand loyalty, the Directors deliberated on the skill set of the Board in light of the fast changing landscape of the retail industry. It was considered that it would be more efficient to have full time employees working to combine the best of traditional physical and digital experiences in new ways that matter to the customers than to bring in additional directors with digital talent. The Company has since engaged an external consultant and formed a Steering Committee consisting of representatives from all relevant departments to work on a digital transformation strategy and roadmap.

## Clear Division of Responsibilities

### Between Chairman and Chief Executive Officer

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

In his capacity as chairman of the Board, Dr Kwok has met with all the 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.

## Chairman

### Board Effectiveness

- Provides leadership to the Board to enable it to discharge its functions effectively.

### Corporate Goals and Governance

- Takes primary responsibility for ensuring that good corporate governance practices and procedures are established.

- Ensures that the Board and management are committed to the maintenance of good corporate governance practices and procedures.

- Ensures that the corporate goals and strategies formulated by the Board are effectively implemented by the Chief Executive and the management.

### Board Business and Discussion

- 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.

### Communication with Shareholders

- Ensures that there is effective communication with shareholders, and that each Director develops and maintains an understanding of the stakeholders' views.

## CEO

### Management of Group's Business

- Provides leadership to the management.

- Ensures effective implementation of the strategies and objectives agreed by 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.

- Leads management in the design, implementation and monitoring of the risk management and internal control systems.

### Quality Information for the Board

- With the support and assistance of the management, provides the Board with high quality information and recommendations to enable informed decisions to be made.

## 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 page 134.

## 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, the 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 the 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 and department directors. They are responsible for the day-to-day operations, management and administration of the Group under the leadership of the executive directors (Executive Committee). They also execute and implement strategies and directions determined by the Board.

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

Monthly updates are 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 the management to make informed decisions for the benefit of the Group. They are required to answer any questions or challenges posed by the Board. All Board members also have separate and independent access to our management.

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

The departmental heads of major business units also met with the Executive Committee on a weekly basis to enhance and strengthen cross-departmental communications and coordination.

## Board, Board Committees and Annual General Meeting Attendance

The following table shows the attendance of directors at Board meetings, Board Committees meetings and the shareholders' 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 | 4/4 | 3/3* | 2/2* | 1/1* | 6/6 | 6/6 | 1/1 |
| Dr KWOK LAW Kwai Chun Eleanor | 4/4 | 3/3* | 2/2 | 1/1 | 4/6 | 6/6 | 1/1 |
| Dr LOOK Guy | 4/4 | 3/3* | | | 4/6 | 6/6 | 1/1 |
| **Non-Executive Directors** | | | | | | | |
| Ms LEE Yun Chun Marie-Christine | 4/4 | | | | | | 1/1 |
| **Independent Non-Executive Directors** | | | | | | | |
| Professor CHAN Yuk Shee[#] | 2/3 | 2/3 | | | | | 1/1 |
| Dr LEUNG Kwok Fai Thomas | 4/4 | 3/3 | 2/2 | 1/1 | | | 1/1 |
| Ms TAM Wai Chu Maria | 4/4 | 3/3 | 2/2 | 1/1 | | | 1/1 |
| Ms KI Man Fung Leonie | 4/4 | 3/3 | 2/2 | | | | 1/1 |
| Mr TAN Wee Seng | 4/4 | | | | | | 1/1 |
| **Total number of meetings** | 4 | 3 | 2 | 1 | 6 | 6 | 1 |
| Average attendance rate of directors[Δ] | 96.30% | 91.67% | 100% | 100% | 77.78% | 100% | 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.

# Professor CHAN Yuk Shee resigned as an Independent Non-executive director of the Company with effect from 1 January 2017.

When directors are unable to attend a Board or Board Committees 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.

## Work done by the Board in the year ended 31 March 2017

### Financial results

- Approved the annual results and annual report for the year ended 31 March 2016 including the annual results announcement.
- Approved the interim report and interim results' announcement for the six months ended 30 September 2016.
- Approved the proposal of payment of final dividends for the year ended 31 March 2016 and the interim dividend for the six months ended 30 September 2016.
- Considered the Quarterly Results.

### Strategic planning and business

- Reviewed, discussed and considered the Group's affairs, including strategic plans, financial affairs, progress and updates of business performance and budget summary/proposals (with the presence of management from time to time).
- Received updates on the Environmental, Social and Governance issues.
- Received updates on Investor Relations.
- Approved the Employment Policy; Health and Safety Policy; Training and People Development Policy; Environmental Policy; Responsible Product and Supply Chain Policy; and Environmental, Social and Corporate Governance Policy.
- Received presentation on online shopping experience by an independent third party.

### Corporate governance

- Considered the results of the Board evaluation.
- Received directors' training: Connected Transactions.
- Received directors' training: Changes to risk management and internal controls in the CG Code.
- Approved the re-appointments of Ms LEE Yun Chun Marie-Christine as NED and Ms TAM Wai Chu Maria and Mr TAN Wee Seng as INED upon the recommendation of the Nomination Committee.
- Received reports from each of the Audit, Nomination and Remuneration Committees following each committee meeting.
- Approved the revision to terms of reference of various Board committees.

## Delegation by the Board

### Board Committees

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 129. Throughout the year, the Board Chairman and Board Vice-chairman also attended the Board Committee meetings at the invitation of the Board Committees.

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

| | | |
|---|---|---|
| Board | Audit Committee *(All members are INEDs)* | Duties:- To review and monitor the Group's relationship with the external auditors and the auditors' independence; to monitor the integrity of the Group's financial information and review significant reporting judgements contained in it; to oversee the Group's financial reporting; on behalf of the Board to review the effectiveness of internal control and risk management procedures; to consider major investigation findings on internal control matters and management's response to these findings; and the audit process. |
| | Remuneration Committee *(Majority are INEDs)* | Duties:- To determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management; and giving due regard to the Company's financial status, to ensure the directors and senior management are fairly rewarded. |
| | Nomination Committee *(Majority are INEDs)* | Duties:- 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. |
| | Executive Committee *(All EDs)* | Duties:- To ensure successful implementation of the corporate strategy and directions of the Group as determined by the Board. |
| | Risk Management Committee *(All EDs)* | Duties:- To provide leadership to the management in relation to risk management and internal control, including monitoring the implementation of the Enterprise Risk Management Programme; to review and approve the recommendations for engaging external consultants, and to have the overall responsibility for leading management in the establishment and maintenance of an appropriate and effective risk management and internal control system. |

## Audit Committee

### Work done by the Audit Committee in the year ended 31 March 2017

#### Internal and external audit matters

- 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 semi-annual summary of audit and non-audit services provided by the external auditor for the year ended 31 March 2016 and the six months ended 30 September 2016.
- Reviewed and discussed the 2016/17 internal control review projects conducted by the Internal Audit function, including:
  - internal audit progress;
  - significant internal audit findings and follow-up implementation status on prior audit findings;
  - shop/counter visits' progress and results;
  - ERM progress results;
  - annual internal audit plan;
  - annual review of internal audit function and staff resources for financial reporting functions; and
  - major investigation findings on internal controls and management's response to these findings.

#### Risk management and internal control system

- Assessed and evaluated the effectiveness of the Group's risk management procedures and internal control system covering all material controls, including financial, operational and compliance controls and risk management functions.

#### Financial Results

- Reviewed the annual results announcement and annual report for the year ended 31 March 2016 and made recommendations to the Board.
- Reviewed and considered the proposal of payment of final dividends for the year ended 31 March 2016 and the interim dividend for the six months ended 30 September 2016 and made recommendations to the Board.
- Reviewed and discussed the interim results for the six months ended 30 September 2016, including the interim results announcement and interim report, and made recommendations to the Board.
- Reviewed and discussed the quarterly results of the Group.

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.

## Remuneration Committee

### Work done by the Remuneration Committee in the year ended 31 March 2017

#### Market analysis

- Reviewed market surveys and analysis, and the remuneration structure of comparable companies operating in similar business and on a similar scale.

#### Determination of remuneration

- Reviewed and determined the remuneration of directors in consultation with the chairman of the Board and in accordance with the remuneration policy of the Group.
- Approved the increase in annual fees of the chairman of the Audit Committee from HK$70,000 to HK$100,000, and the annual fees of other members of the Audit Committee from HK$50,000 to HK$80,000.

### Remuneration of Directors and Senior Management

| | |
|---|---|
| Executive Directors and Senior Management | **Fixed Elements**<br>Basic Salary<br>Fixed Allowance and other Benefits<br><br>**Time/Performance Related Elements**<br>Annual Bonus<br>Share Options<br>Share Award |
| Non-executive Directors (including INED) | **Directors Fee** |

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

The remuneration package of our executive directors 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.

Non-Executive Directors (including INEDs) are compensated with the aim of fairly representing their efforts and the time dedicated to the Board and Board Committees 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 195 to 197.

## Nomination Committee

### Work done by the Nomination Committee in the year ended 31 March 2017

#### Board composition

- Reviewed the structure, size and composition of the Board.
- Assessed the independence of INEDs.

#### Re-appointment of directors

- Considered the re-appointment of Ms LEE Yun Chun Marie-Christine as NED and Ms TAM Wai Chu Maria and Mr TAN Wee Seng as INED and made recommendations to the Board.

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. 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.

## Executive Committee

### Work done by the Executive Committee in the year ended 31 March 2017

#### Strategy and budgeting

- Ensured successful implementation of the corporate strategy and directions of the Group.
- Reviewed business proposals, implementation plans, strategic plans and annual operating plans which are in line with the corporate goals and objectives.
- Reviewed the budget, long-term plan, corporate goals and objectives, long-term business model and strategy.

#### Performance monitoring

- Reviewed the Group's results and performance against the market and budget.
- Reviewed the reasons for under/over performance against the market/budget and developed plans and strategies to adapt to market circumstances.
- Gave directions on and monitored the Group's performance throughout the year ended 31 March 2017:
  - Store opening and closures;
  - Sales performance;
  - Marketing and promotions;
  - Product development;
  - Branding management;
  - Inventory management;
  - IT strategy;
  - Human resources and training needs and performance;
  - Logistics function performance;
  - E-commerce strategies and performance;
  - Operations outside of Hong Kong.

The Committee proactively communicates with the non-executive directors and the management and is open and responsive to any issues raised 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 129. Members of the management are invited to attend as and when appropriate.

## Risk Management Committee

### Work done by Risk Management Committee in the year ended 31 March 2017

#### System and control

- Established and maintained appropriate and effective risk management and internal control systems and reports to the Board on any material deficiencies.

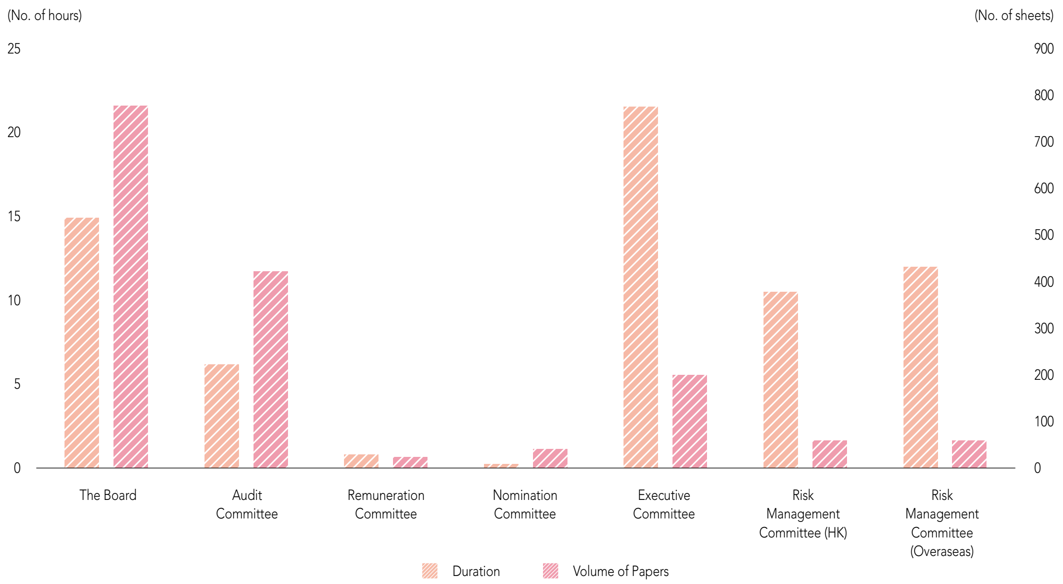
#### Enterprise Risk Management Program

- Reviewed and discussed the ERM progress and results for the year ended 31 March 2017 including:
  - Continuous assessment of existing and new risks that the Group faces;
  - Review of risk indicators and assessing how risks are measured and managed;
  - Review and assessing the risk trends and appropriateness of risk indicators;
  - Assessing effectiveness of measures taken to manage risks.

For the meeting of the Risk Management Committee, representatives from the Internal Audit and Management Services Department also attended meetings at the invitation of the Committee. Regular meetings were held by the Risk Management Committee and the number of meetings and attendance records of individual Committee members are set out on page 129. Please refer to pages 142 to 148 of the Enterprise Risk Management Report for details of this Committee.

## 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 to 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.

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

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

## Conflict of Interest

All directors are required to comply with their common law duty to act in the best interests of the Company and to have particular regard to the interests of the shareholders as a whole. Any perceived, potential or actual conflicts of interest between the Group and its directors 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.

## 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 reviewing industry and regulatory updates, the directors attended two in-house trainings conducted by qualified lawyers and auditors, and a briefing on ways to engage customers through the use of digital and mobile devices. The directors are also kept regularly updated on the latest developments of the Company through various corporate communications, "Sa Sa quarterly newsletters" and press releases. Some of our directors also attended our corporate events such as Sa Sa Ladies Purse Day and Sa Sa Charity Concert.

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 *(resigned with effect from 1 January 2017)* | ✓ | ✓ | ✓ |
| Dr LEUNG Kwok Fai Thomas | ✓ | ✓ | ✓ |
| Ms TAM Wai Chu Maria | ✓ | ✓ | ✓ |
| Ms KI Man Fung Leonie | ✓ | ✓ | ✓ |
| Mr TAN Wee Seng | ✓ | ✓ | ✓ |

## Compliance with Laws and Regulations

To ensure that the Group complies with relevant laws and regulations and, where appropriate, meets or exceeds industry best practices, we constantly review our practices to keep up to date with the latest developments on all relevant laws and regulations. Trainings on important topics such as the Listing Rules, anti-corruption, data privacy and trade description and practices are provided periodically.

Various policies and procedures including, among others, the Conflict of Interest Policy, Whistleblowing Policy (for employees only) and Gifts and Entertainment Policy are in place which set out the standards of conduct that our employees are required to follow. These policies and procedures are reviewed from time to time and updated where necessary and are made available to our employees through our Company's intranet, with some of the policies being published on our website.

As regards the protection of personal data, the Group has a Compliance Manual which is a practical guide aiming to assist employees to better understand their obligations under the laws and regulations governing personal data. Compliance checklists covering the entire life cycle of personal data from their collection to destruction have been developed to ensure that the Group respect privacy concerns while using big data to drive business value.

In relation to information known to "insiders" of the Group but not generally known to the market i.e. inside information, the Group has in place an Inside Information Policy setting out the controls with regard to the handling and disclosure of such inside information.

## Shareholders

### 2017 Annual General Meeting

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 2017 will be held on or around Tuesday, 29 August 2017. 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 each resolution to be proposed at the AGM, will be dispatched to the Shareholders on or around 14 July 2017.

### Shareholders' Rights

Our Shareholders have the right to convene general meetings and to put forward proposals, details of which can be found on our website and on pages 106 to 117 of the "Investor Relations Report" in this Annual Report.

Shareholders are also welcome to put enquiries to the Board. For the procedure and contact details, please refer to pages 106 to 117 of the "Investor Relations Report" in this Annual Report.

### Other shareholder-related information

For information regarding type and aggregate shareholding, details of the 2016 annual general meeting, coming important dates and year-end public float capitalisation, please refer to pages 106 to 117 of the "Investor Relations Report" in this Annual 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 165 to 169.

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

For the year ended 31 March 2017, the Audit fees of the Group amounted to approximately HK$4,911,000, comprising audit fees of HK$3,433,000 and non-audit fees of HK$1,478,000. The non-audit services consisted mainly of tax advisory services, interim review, turnover certificate, transfer pricing analysis and other reporting services.

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 on an ongoing basis, while the management and other personnel are responsible for implementing and maintaining a robust system of internal controls that covers governance, compliance, risk management, financial as well as operational controls. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute assurance of the following:

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

The Board has delegated to the Risk Management Committee the overall responsibility for leading the management in the establishment and maintenance of an appropriate and effective risk management and internal control systems.

## Risk Management Framework

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

Details of the ERM System and process are set out in the Enterprise Risk Management Report on pages 142 to 148 of this Annual Report.

## Quality Management System

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

For the year ended 31 March 2017, The Group passed the renewal and surveillance audits of ISO 9001: 2008 certificate for the below departments:

| Company | Department | Audit nature | Audit scope | Pass audit date |
|---|---|---|---|---|
| Sa Sa dot Com Limited | Whole unit | Renewal audit | Provision of E-commerce Services For Cosmetic Products | May 2016 |
| Sa Sa Cosmetics Company Limited | Logistics | Renewal audit | Provision of Logistic Services Including Warehousing, Packaging and Local Distribution Of Cosmetics Products and Its Accessory Materials | February 2017 |
| Sa Sa Cosmetics Company Limited | Category Management & Product Development, Marketing | Surveillance audit | Category Management, Products Purchasing and Promotion For Cosmetic, Health, Personal Care Products And Its Accessories | November 2016 |

The Group is fully committed to quality management and will continue taking steps to attain ISO accreditation for other major business units in the headquarters and creating policies and procedures for sales offices by applying ISO standard in order to promote the application of the standard throughout the organisation. In addition to annual surveillance audits performed by external consultant, we also conduct regular internal audits by certified in-house ISO internal auditors to ensure that policies and procedures are always adhered to and updated accordingly when business environment changes. There were no significant nonconformities, weaknesses or deficient areas of concern identified by ISO auditors during the year.

## Internal Audit Function

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

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

To accommodate and better support sustained business growth, the IAMS Department continuously enhances its competency by developing expert teams within the department and by encouraging the team leaders to attend relevant external workshops or seminars in order to keep abreast of the latest developments. Regular internal trainings are also held to promote knowledge sharing within the IAMS Department. Below is a summary of external trainings attended by the IAMS Department for the year ended 31 March 2017:

| Participation in Trainings and Continuous Professional Development of the IAMS Department | | | | | | |
|---|---|---|---|---|---|---|
| | Core Competencies | Governance, Risk & Control | IT/Information Security | Fraud | Quality Management | Online Self-study |
| No. of events | 5 | 3 | 1 | 4 | 2 | Continuous |

## Internal Audit Activities

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

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

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

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 implication to our strategies. IT risk management is being steadily integrated in the Group's risk management structure and external consultant will be engaged whenever necessary to assess risks on specific areas such as cyber-security.

## 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 2017, covering all material financial, operational and compliance controls, and it has considered the Group's risk management and internal control system to be effective and adequate. There were no suspected material irregularities found or significant areas of concern identified during the year that might affect Shareholders.

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

## 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 and risk appetite, the later defines the acceptable tolerance levels for key risks. The Board oversees the Group's risk management framework, reviews the Group's key existing and potential risks and their respective mitigation strategies and ensures risk management effectiveness. The RMC holds regular meetings to review the management of these risks and effectiveness of mitigation strategies and controls and actively identify the positive business opportunities in relation to these risks.

## Risk Management Committee

The Group formed the RMC in 2009, comprising all the three Executive Directors as part of the Group's commitment to further enhancing its control environment. The RMC has written terms of reference which set out the responsibilities of its members and are available on the Company's website. It held six meetings at Group level to re-assess the top 10 priority risks and the result of the mitigation actions for the year ended 31 March 2017. The RMC assists the Board in providing leadership to the management in relation to risk management and internal controls, and to have overall responsibility for the establishment and maintenance of an appropriate and effective risk management and internal control systems including the design, implementation and monitoring of such systems for the Group.

## Enterprise Risk Assessment

Risk assessment is the identification and analysis of existing and emerging risks to form a basis for determining how risks are managed in terms of likelihood and impact. Risk areas are categorised into strategic, operational, financial and compliance perspectives for further assessment and management. A bottom-up and top-down approach is adopted to ensure a holistic risk management process. The bottom-up approach is supported by cross-functional workshops 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 Management and Internal Control Self-Assessment and Fraud Risk Control Self-Assessment programs, requiring overseas business units and major departments in the headquarters to annually assess the adequacy and effectiveness of risk management and internal controls for ongoing risk assurance purposes. This 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 regularly 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. An illustrative diagram for the ERM Framework is set out on page 144.

## 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

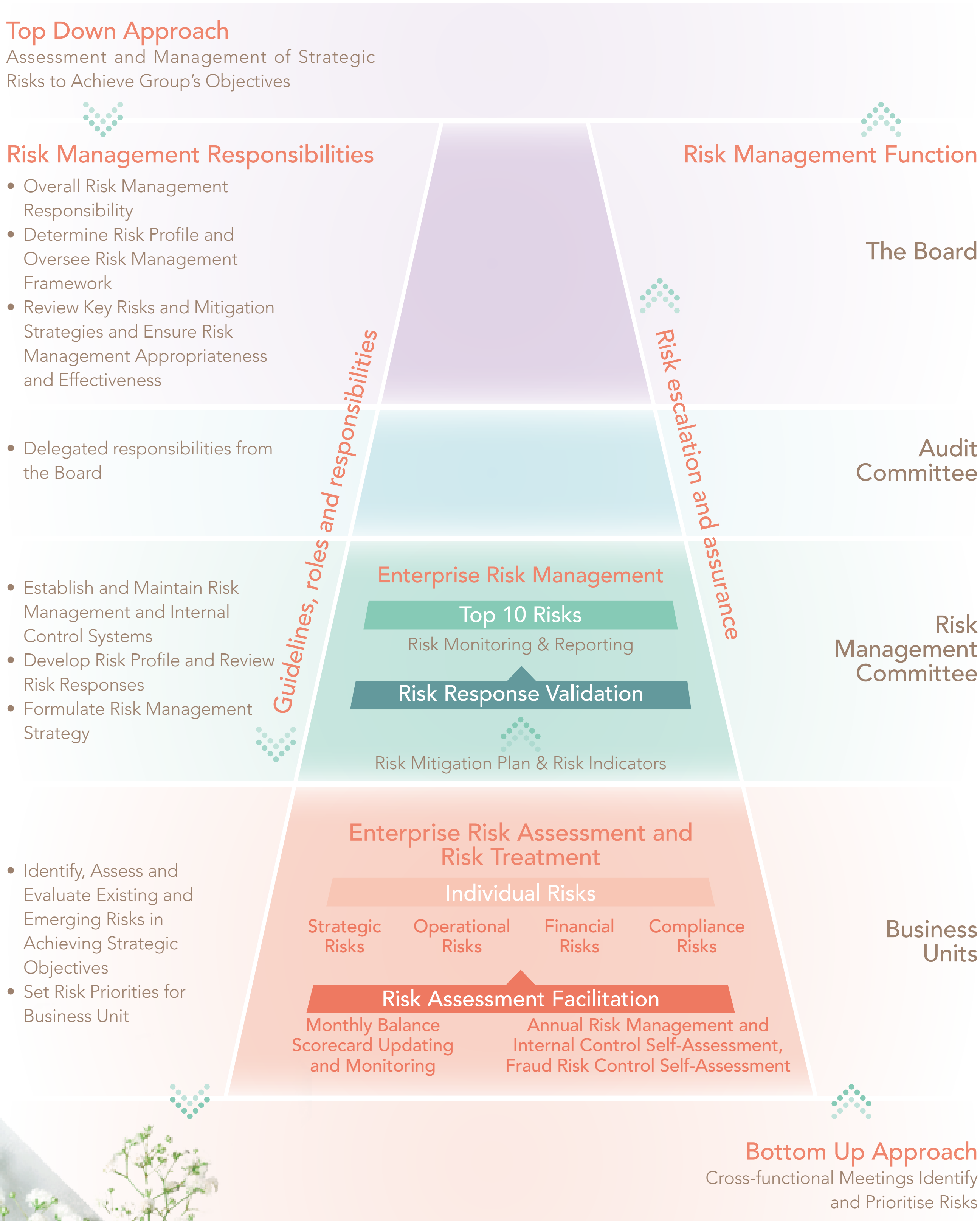
Online threats and opportunities remained the number one challenge faced by the Group. The continuous and exponential growth of everything involving the internet, including social media, digital marketing, e-commerce, mobile apps and payments are reflecting and further driving changes in consumer and business behaviour while altering the entire competitive landscape, especially in Mainland China. To build competitiveness and to tap this O2O business potential, the Group will have to take bold steps in the adoption of technology, system development, integration of online and offline databases and systems, and enhancement of cyber security and supply chain infrastructure. The overall aim is to improve customer experience and boost sales.

In this regard, additional IT resources have been budgeted for upgrading the front- and back-end infrastructure for UX optimisation, business conversion effectiveness, operational efficiency and online and offline integration. In addition, we have been refining our O2O initiatives as we conduct trials in physical stores in Mainland China. However, we have experienced several challenges during the course of execution. The deployment of the enhanced mobile app for the Mainland China market was postponed due to its unsatisfactory performance in the UAT stage. To address this issue, we engaged a new service provider and the mobile app was successfully launched in September 2016, with its platform migrating to Cloud hosting from November 2016 onwards. Recognising that the delivery process from our Hong Kong outsourced warehouse to Mainland China was not meeting customers' expectations of speedy dispatch and was also not a cost effective way for certain product categories, we began operating a bonded warehouse in Zhengzhou in October 2016. This has enabled us to lower operating costs and increase the speed of delivery. The newly bonded warehouse had processed around 30% of the total daily transaction by volume by the end of March 2017.

The Group also considers that new channels to generate UVs will be a key driving force to grow the Online and Omni-channel business. The Marketing team will continue to proactively develop social media platform partnerships with better content management and to explore joint promotion programme opportunities with payment processors in order to drive target traffic and boost turnover with better data analytic support. The Group has allocated adequate IT resources to enhance our cyber security over the last financial year. Meanwhile, we are engaging an external certified professional to help assess our protection against cyber attacks. Improvement plans will be formulated if gaps are found and reassessments will be undertaken to ensure that adequate and sufficient remedial actions are in place.

## Risk Governance & Infrastructure

The ERM Framework



## 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 trendy Asian products with a much shorter product life cycle. Adding to these pressures to provide the right trendy products with ever increasing frequency is the market competitiveness that drives much faster product launches. The Group has been taking action to address these challenges. These initiatives include, but are not limited to: engaging with some targeted manufacturers to leverage on their product development capabilities; employing a local sourcing specialist in South Korea; and re-engineering our internal product development processes and inventory management. However, these measures will not achieve sustained success without alignment across every key functional area. The Group also realises that the ability to apply the latest technology and utilise big data for better decision-making plays a key role in enhancing our competitive advantage. We have therefore launched special projects to explore the application of technology in our operations and to recruit talents with the right skill sets.


## Changes in Government Regulations & Policies and Political Risks

The deployment of the Terminal High Altitude Area Defense (THAAD) anti-missile system in South Korea, which is strongly opposed by the Chinese government, has resulted in widespread boycotts of Korean products. The Group's sales of South Korean products have been negatively affected, an impact that we have mitigated by adjusting our product offering mix and our physical shelf displays. Since the new President of Taiwan took office in May 2016, Taiwan-China relations have been steadily deteriorating. One of the consequences of this increased cross-Strait tension has been a significant decrease in the flow of Mainland tour groups into Taiwan, which in turn has directly affected the Group's Taiwan business. In addition, the Malaysian retail market has yet to fully recover from the abolition of fuel subsidies in December 2014 and the imposition of the Goods & Services Tax in April 2015. The weakening Ringgit has resulted in higher imported goods' prices and therefore more cautious spending by local customers during the financial year, which further contributed to a slowdown in our sales performance in Malaysia. Conscious of the impact of these changes, the Group is mindful of the need to react with precision and speed.

## Talent Acquisition, Staff Retention and Training

Competition for talent continues to remain a challenge for the Group due to the overall low unemployment rate and easier access to higher education opportunities for young people. The Group recognises that human capital is one of the most important assets we have and we need to actively develop new recruitment channels to attract, develop and retain talents in order to support our future growth.

### New Recruitment Channels

In addition to traditional recruitment channels, we have also leveraged the power of various social media, mobile apps and other electronic channels to acquire talents and raise our profile with the public. We have also made use of internal resources and networks by re-launching our Staff Referral Scheme.

### Home Grown Talent – Future Management Pipeline and Sales Force

Our home grown talent programmes cover a wide range of students – from the Management Trainee Programme for university graduates to the Sales Trainee Programme for secondary school students – so that we can develop a strong talent pipeline for every level of staff. Our Management Trainee Programme targets high potential new university graduates, offering them an individually planned, fast track career path to managerial level in our frontline sales operations, logistics department or e-commerce business. During 2017, the programme will be further expanded to our Finance and Accounting Department. The Sales Trainee Programme and the Earn and Learn Pilot Scheme, which is run in collaboration with the Vocational Training Council, will equip graduates with professional product knowledge and selling skills to further develop their career in our Group.

### Bonding Enhancement Activities

To enhance bonding between Management Trainees, we have established the MT Society with the purpose of giving continuous attention, support and development opportunities to participants. Past and newly-joined trainees can meet regularly for networking and experience sharing. Other activities for staff networking include Company events, such as our first ever Sa Sa Charity Concert, outings, charity events and also activities organised by our Staff Recreation Club. These initiatives enable us to promote our work-life balance and family friendly philosophy to our staff.

The Group firmly believes that care for staff and good communication with them are the best means to attract, motivate and retain talents. To ensure new joiners are well integrated into the Company, in addition to our orientation programme, we conduct an individual Pulse-Check Programme and small group sharing sessions to express our care and listen to new joiners' feedback, providing follow up actions when needed. Mentors are also assigned to new staff in the shop environment itself to provide further guidance and personalised support to new joiners.

### Training and Development

The Group has launched a series of functional training and development programmes to upgrade staff competence and promote team spirit. During the year, a total of 197 frontline staff were accredited for certifications at either level 3 or level 4 for the Recognition of Prior Learning mechanism of the retail sector – "Customer Service" and "Store Operations (Integrated)" – under the Qualification Framework. The Group also successfully launched the Sa Sa e-learning system in September 2016, which offers our frontline staff a new learning platform outside the traditional instructor-led classroom. This one-stop e-learning platform will consolidate all training and development courses in one database and will allow frontline staff to access all relevant training information and learning by means of a convenient and flexible schedule.

## Mainland China Business Prospect

Although the Group has been taking progressive and disciplined steps to grow our market presence in Mainland China over the past few years, progress has been limited. Despite consolidating our store network, closing underperforming stores, rolling out boutique stores, introducing O2O functions in physical stores for trial, and lowering the frontline staff turnover rate, results have remained unsatisfactory. The deploying of the THAAD anti-missile system in South Korea had a significant negative impact on our sales of Korean products. In addition, persistent internal risks such as the delay in launching replacement private label products, a weak local product management team, a disrupted product supply and weak execution have also compromised our growth. In response to these challenges, the Group has restructured the Category Management and Product Development Department ("CMPD") in Mainland China, re-engineered the new product introduction strategy and monitoring processes, and revisited the auto-replenishment system. We are also formulating a strategic store-opening plan and aim to develop more physical stores with O2O functions. In addition to the tailored selling and customer service training sessions provided, the Group has restructured the commission scheme to motivate frontline staff by aligning their personal reward to overall store performance. The Group expects these strong enhancement measures will drive stores to operate more efficiently, benefiting from streamlined frontline staff and therefore 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 2017, five incidents were reported through our whistleblowing channel or otherwise identified by the 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 can safeguard the Group's assets, contribute positively to the Group's reputation and image, and thus reduce the direct and indirect costs of doing business. During the financial year and the period up to the date of this report, the following key activities were undertaken in order to enhance the existing fraud risk management system:

### Communication and Training

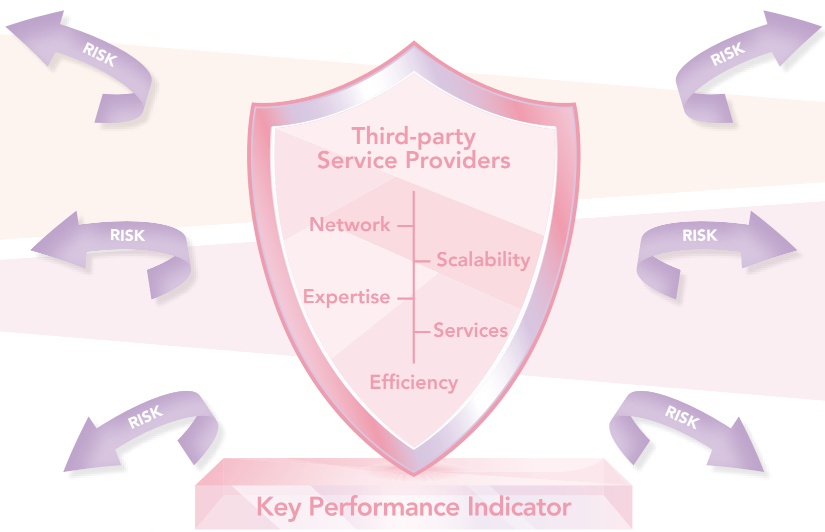
| Participants / Target | Course / Induction / Workshop / Action |
|---|---|
| Logistics Department | Anti-corruption and the Prevention of Bribery Ordinance conducted by the Independent Commission Against Corruption |
| All New Staff | Induction training on key corporate policies, including whistleblowing policy, conflict of interest policy, etc |
| PRC Suppliers | Letters to suppliers – Code of Business Conduct and Ethics |
| IAMS Department | Delegates attended four external fraud prevention workshops |

### Assessment and Enforcement

| Area | Actions |
|---|---|
| Internal Audit Scope | Fraud risk assessment is embedded in every single audit assignment |
| Enforcement | Fraudsters are held accountable by enforcing relevant disciplinary actions |
| Hong Kong Head Office & Overseas Offices | Fraud risk self assessment conducted |
| Selected Fraud-prone Areas | Regular review on trend and exceptions by both relevant departments and IAMS |

### Third-Party Risks

The Group has been relying on third-party service providers, such as outsourced manufacturers, software vendors, manpower service providers, contractors, warehousing and logistics service providers, in some key aspects of our business 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 that may include but are not limited to business disruptions, investigations by authorities leading to financial losses, and reputational damage as a result of under-performance or noncompliance with local rules and regulations. During the year, the Group experienced a number of 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 terminated services with these under-performing vendors, and enhanced our oversight of third-party service providers' sourcing and selection process by delegating key projects to a special taskforce. The group has established comprehensive key performance indicators and involved external professional to closely and continuously monitor their performances, enhance internal transparency in regard to emerging risks, involved executives and other functional teams as necessary, and laid down clear terms and conditions in service agreements.



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 2017.

## Principal activities and segment analysis of operations

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in Note 28 to the consolidated financial statements.

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

## Business review

A fair review of the Group's business is provided in the Management Discussion & Analysis section on pages 36 to 44 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 142 to 148. 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 45 to 51 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 are included in the Environmental, Social and Governance Report. To the extent necessary for an understanding of the development, performance or position of the Company's business, discussions on the Company's compliance with the relevant laws and regulations that have a significant impact on the Company are set out in the 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 170.

An interim dividend of 5.0 HK cents (2016: 5.0 HK cents) per Share and a special dividend of 4.0 HK cents (2016: 4.0 HK cents) per Share were paid on 19 January 2017. The Directors recommended the payment of a final dividend of 8.0 HK cents (2016: 9.0 HK cents) per Share with no special dividend (2016: 5.5 HK cents), such dividends will be proposed for approval by Shareholders at the AGM to be held on Tuesday, 29 August 2017, and are payable to Shareholders whose names appear on the Register of Members of the Company on Tuesday, 5 September 2017. Total dividends paid and to be paid in respect of the year ended 31 March 2017 amounted to HK$506,032,000.

## 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 during the year are set out in Note 12 to the consolidated financial statements.

## Share capital

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

## Share options

### Share option schemes

- 2002 Share Option Scheme

  The 2002 Share Option Scheme was approved by the Shareholders at the AGM held on 29 August 2002 (the "2002 Share Option Scheme"). 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 15 June 2017, no further options could be granted under the 2002 Share Option Scheme and the total number of option shares granted but not yet exercised under this scheme was 29,208,988 Shares, which represented 0.98% of the total issued share capital of the Company at that date.

## 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.

(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.

## Share options (continued)

### Share option schemes (continued)

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

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

| | | | | Number of Share Options | | | | |
|---|---|---|---|---|---|---|---|---|
| Name | Date of grant | Subscription price per Share (HK$) | Period during which rights exercisable | Outstanding as at 1 April 2016 | Granted during the year | Exercised during the year | #Lapsed during the year | Outstanding as at 31 March 2017 |
| **Director** | | | | | | | | |
| Dr LOOK Guy | 1 Mar 2012 | 4.77 | 28 Feb 2014 to 28 Feb 2022 | 4,690,998 | – | – | – | 4,690,998 |
| | | | 28 Feb 2015 to 28 Feb 2022 | 4,690,998 | – | – | – | 4,690,998 |
| | | | Note [1] | 3,381,996 | – | – | – | 3,381,996 |
| | | | Note [1] | 4,690,998 | – | – | – | 4,690,998 |
| | | | Note [1] | 4,690,998 | – | – | – | 4,690,998 |
| **Employees** | 30 Sep 2010 | 3.16 | 30 Sep 2013 to 29 Sep 2020[2] | 562,000 | – | – | (20,000) | 542,000 |
| | | | 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] | 2,290,000 | – | – | (180,000) | 2,110,000 |
| | | | 17 Jun 2014 to 16 Jun 2021[3] | 40,000 | – | – | – | 40,000 |
| | | | 17 Jun 2014 to 16 Jun 2021[5] | 40,000 | – | – | – | 40,000 |
| | | | 17 Jun 2014 to 16 Jun 2021[6] | 50,000 | – | – | – | 50,000 |
| | | | 17 Jun 2014 to 16 Jun 2021[7] | 50,000 | – | – | – | 50,000 |
| | 29 Jun 2012[8] | 4.85 | 29 Jun 2015 to 28 Jun 2022 | 3,936,000 | – | – | (190,000) | 3,746,000 |
| | | | 29 Jun 2015 to 28 Jun 2022[3] | 40,000 | – | – | – | 40,000 |
| | | | 29 Jun 2015 to 28 Jun 2022[5] | 50,000 | – | – | – | 50,000 |
| | | | 29 Jun 2015 to 28 Jun 2022[6] | 120,000 | – | – | – | 120,000 |
| | | | 29 Jun 2015 to 28 Jun 2022[7] | 70,000 | – | – | – | 70,000 |
| | | | 29 Jun 2015 to 28 Jun 2022[9] | 200,000 | – | – | – | 200,000 |
| | | | | 29,633,988 | – | – | (390,000) | 29,243,988 |

# There are no share options cancelled during the year.

## Share options (continued)

### Share option schemes (continued)

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

Notes:

(1) The exercise of the share options is subject to certain performance targets that must be achieved by the director. The share options shall be exercised by the director not later than 28 February 2022.

(2) On 30 September 2010, the Company granted share options to certain employees of the Company in order to reward them for contributing to the long term success of the business of the Group and to encourage and motivate them to continue to contribute to the success of the Group.

(3) The grantee, Ms KWOK Lai Kwan Anna, is an associate of the chief executive and directors of the Company.

(4) On 17 June 2011, the Company granted share options to certain employees of the Company in order to reward them for contributing to the long term success of the business of the Group and to encourage and motivate them to continue to contribute to the success of the Group.

(5) The grantee, Mr KWOK Siu Hung Vincent, is an associate of the chief executive and directors of the Company.

(6) The grantee, Ms KWOK Sea Nga Kitty, is an associate of the chief executive and directors of the Company.

(7) The grantee, Ms KWOK Sze Wai Melody, is an associate of the chief executive and directors of the Company.

(8) On 29 June 2012, the Company granted 7,567,000 share options to certain employees of the Company in order to reward them for contributing to the long term success of the business of the Group and to encourage and motivate them to continue to contribute to the success of the Group. The exercise of 250,000 share options out of the outstanding balance of 4,226,000 share options as at 31 March 2017 is subject to certain performance targets that must be achieved by the related employees.

(9) The grantee, Mr LAW Kin Ming Peter, is an associate of the chief executive and directors of the Company.

- **2012 Share Option Scheme**

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

(a) **Purpose**

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

(b) **Participants**

Any directors (including executive, non-executive 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.

## 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 15 June 2017, 273,087,006 Shares were available for grant under the 2012 Share Option Scheme and the total number of option shares granted but not yet exercised under this scheme was 5,676,000 Shares, which represented 9.12% and 0.19% 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;

## 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:

| | | | | Number of Share Options | | | | |
|---|---|---|---|---|---|---|---|---|
| Name | Date of grant | Subscription price per Share (HK$) | Period during which rights exercisable | Outstanding as at 1 April 2016 | Granted during the year | Exercised during the year | #Lapsed during the year | Outstanding as at 31 March 2017 |
| Employees | 21 Jun 2013 | 8.07 | 21 Jun 2016 to 20 Jun 2023[(1)] | 5,698,000 | – | – | (362,000) | 5,336,000 |
| | | | 21 Jun 2016 to 20 Jun 2023[(2)] | 50,000 | – | – | – | 50,000 |
| | | | 21 Jun 2016 to 20 Jun 2023[(3)] | 20,000 | – | – | – | 20,000 |
| | | | 21 Jun 2016 to 20 Jun 2023[(4)] | 100,000 | – | – | – | 100,000 |
| | | | 21 Jun 2016 to 20 Jun 2023[(5)] | 50,000 | – | – | – | 50,000 |
| | | | 21 Jun 2016 to 20 Jun 2023[(6)] | 20,000 | – | – | – | 20,000 |
| | | | 21 Jun 2016 to 20 Jun 2023[(7)] | 50,000 | – | – | – | 50,000 |
| | | | 21 Jun 2016 to 20 Jun 2023[(8)] | 120,000 | – | – | – | 120,000 |
| | | | | 6,108,000 | – | – | (362,000) | 5,746,000 |

# There are no share options cancelled during the year.

## Share options (continued)

### Share option schemes (continued)

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

  Notes:

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

  (2) The grantee, Ms KWOK Lai Kwan Anna, is an associate of the chief executive and directors of the Company.

  (3) The grantee, Ms KWOK Lai Ying Ann, is an associate of the chief executive and directors of the Company.

  (4) The grantee, Ms KWOK Sea Nga Kitty, is an associate of the chief executive and directors of the Company.

  (5) The grantee, Mr KWOK Siu Hung Vincent, is an associate of the chief executive and directors of the Company.

  (6) The grantee, Mr KWOK Siu Keung Paul, is an associate of the chief executive and directors of the Company.

  (7) The grantee, Ms KWOK Sze Wai Melody, is an associate of the chief executive and directors of the Company.

  (8) The grantee, Mr LAW Kin Ming Peter, is an associate of the chief executive and directors of the Company.

  Fair values of the share options, measured at the grant date of the options, were 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 2017, a total of 4,252,000 awarded Shares had been granted pursuant to the Share Award Scheme, out of which 720,000 awarded Shares remained unvested. During the period, a total of 567,000 awarded Shares lapsed and remained part of the trust fund under the Share Award Scheme. A summary of the Share Award Scheme is set out below:

### (a) Purpose

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

### (b) Administration

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

## 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 within a period of 12 months shall not exceed 1% of the total issued Shares from time to time.

### (e) Operation

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

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

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

### (f) Vesting and lapse

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

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

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

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

## 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:

| | | | | Number of awarded Shares | | | | |
|---|---|---|---|---|---|---|---|---|
| Name | Date of grant | Average fair value per Share (HK$) | Vesting period* | Outstanding as at 1 April 2016 | Granted during the year | Vested during the year | Lapsed during the year | Outstanding as at 31 March 2017 |
| Director | | | | | | | | |
| Dr LOOK Guy | 18 Aug 2016 | 3.32 | 18 Aug 2016 to 31 Mar 2017 | – | 200,000 | (200,000) | – | – |
| Employees | 30 Sep 2014 | 5.32 | 30 Sep 2014 to 30 Sep 2017 | 400,000 | – | (105,000) | (190,000) | 105,000 |
| | 28 Nov 2014 | 5.83 | 28 Nov 2014 to 28 Nov 2017 | 200,000 | – | (75,000) | (50,000) | 75,000 |
| | 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 | 120,000 | – | (60,000) | – | 60,000 |
| | 31 Jul 2015 | 3.48 | 31 Jul 2015 to 31 Jul 2018 | 50,000 | – | – | – | 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) | – |
| | 30 Jun 2016 | 3.04 | 30 Jun 2016 to 30 Jun 2019 | – | 250,000 | – | – | 250,000 |
| | 29 Jul 2016 | 3.38 | 29 Jul 2016 to 29 Jul 2019 | – | 1,672,000 | (1,505,000) | (167,000) | – |
| | 20 Feb 2017 | 3.41 | 20 Feb 2017 to 31 Mar 2017 | – | 5,000 | (5,000) | – | – |
| Associates of Directors | 30 Sep 2014 | 5.32 | 30 Sep 2014 to 30 Sep 2017 | 120,000 | – | (60,000) | – | 60,000 |
| | 29 Jul 2016 | 3.38 | 29 Jul 2016 to 29 Jul 2019 | – | 655,000 | (585,000) | – | 70,000 |
| | | | | 1,100,000 | 2,782,000 | (2,595,000) | (567,000) | 720,000 |

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

## Pre-emptive rights

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

## Buy-back, sale or redemption of Shares

During the year, there was no buy-back, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries, except that the trustee of the Share Award Scheme, pursuant to the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 2,274,000 Shares at a total consideration of about HK$5.3 million.

## Subsidiaries

Details of the Company's principal subsidiaries as at 31 March 2017 are set out in Note 28 to the consolidated financial statements.

## Capitalised interest

No interest was capitalised by the Group during the year (2016: nil).

## Distributable reserves

As at 31 March 2017, the reserves of the Company available for distribution amounted to HK$1,596,078,000 (2016: HK$1,787,784,000).

## Donations

The Group made donations during the year totalling HK$3,365,000 (2016: HK$4,740,000).

## 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 (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 (Vice-chairman)
- date of appointment as a Director: 3 December 1996*
- date of last re-election in AGM as a Director: 30 August 2016

Dr LOOK Guy (CFO)
- date of appointment as a Director: 10 September 2002*
- date of last re-election in AGM as a Director: 30 August 2016

### Non-executive Director

Ms LEE Yun Chun Marie-Christine
- date of appointment as a Director: 26 February 2013
- date of last re-election in AGM as a Director: 19 August 2015
- term of directorship: three years commencing on 22 August 2016*

### Independent Non-executive Directors

Dr LEUNG Kwok Fai Thomas
- 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
- date of appointment as a Director: 24 June 2004
- date of last re-election in AGM as a Director: 30 August 2016
- term of directorship: three years commencing on 24 June 2016*

Ms KI Man Fung Leonie
- 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*

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

## Directors (continued)

### Independent Non-executive Directors (continued)

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 2016*

Professor CHAN Yuk Shee
- date of appointment as a Director: 1 November 1999
- date of last re-election in AGM as a Director: 21 August 2014
- date of resignation as a Director: 1 January 2017

In accordance with Article 116 of the articles of association of the Company, Dr LEUNG Kwok Fai Thomas, Ms LEE Yun Chun Marie-Christine and Mr TAN Wee Seng will retire by rotation at the forthcoming AGM.

## Confirmation of independence from INEDs

The Company has received a written confirmation from each INED of his/her independence pursuant to Rule 3.13 of the Listing Rules which has been reviewed by the Nomination Committee. Both the Nomination Committee and the Board consider all INEDs to be independent throughout the year and that they remain so as at the date of this Annual Report.

## Directors' service contracts

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

## 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 substained by him as a Director in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted. All Directors have the benefit of Directors' and officers' liability insurance.

## Biographical details of directors and senior management

The updated biographical information of the Directors and senior management are set out on pages 52 to 59 of this Annual Report.

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

As at 31 March 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code are set out below:

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

| | Number of Shares in the Company | | | | | |
|---|---|---|---|---|---|---|
| Name of Director | Personal interests | Family interests | Corporate interests | Derivatives interests | Total interests | Approximate percentage of the Shares in issue[1] |
| Dr KWOK Siu Ming Simon | 40,728,000 | – | 1,905,333,768[2] | – | 1,946,061,768 | 64.99% |
| Dr KWOK LAW Kwai Chun Eleanor | – | 40,728,000 | 1,905,333,768[2] | – | 1,946,061,768 | 64.99% |
| Dr LOOK Guy | 200,000 | – | – | 22,145,988[3] | 22,345,988 | 0.75% |
| Ms TAM Wai Chu Maria | 2,057,324 | – | – | – | 2,057,324 | 0.07% |

Notes:

(1) Base on 2,994,441,370 Shares in issue as at 31 March 2017.

(2) These Shares are held as to 1,474,918,313 Shares by Sunrise Height Incorporated and as to 430,415,455 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 2017 are disclosed in the Share Options and awarded Shares sections on pages 152 & 158 of this report.

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

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

Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor are each taken to be interested in all the issued non-voting deferred shares (the "Deferred Shares") of Base Sun Investment Limited ("Base Sun"), Matford Trading Limited ("Matford"), Sa Sa Cosmetic Company Limited and Sa Sa Investment (HK) Limited, all of which are wholly-owned subsidiaries of the Company. Details of interests in the Deferred Shares as at 31 March 2017 are set out below:

Dr KWOK Siu Ming Simon

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

Dr KWOK LAW Kwai Chun Eleanor

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

Notes:

(1) Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor together hold two Deferred Shares in Base Sun through Win Win Group International Limited ("Win Win") and Modern Capital Investment Limited ("Modern Capital"). Win Win and Modern Capital are companies owned as to 50% each by Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor and each of Win Win and Modern Capital holds one Deferred Share in Base Sun.

(2) Dr KWOK Siu Ming Simon holds three Deferred Shares in Matford through Mr YUNG Leung Wai Tony who acts as a nominee shareholder.

(3) Dr KWOK LAW Kwai Chun Eleanor holds three Deferred Shares in Matford through Ms KWOK Lai Yee Mabel who acts as a nominee shareholder.

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

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

Save as disclosed above, no Director or chief executive of the Company has any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

Save as disclosed under the Share Options and awarded Shares sections on pages 152 & 158, 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 2017, Shareholders, other than a Director or chief executive of the Company, who had interests and short positions in the shares and underlying shares of the Company which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO are as follows:

## Long position of substantial Shareholders in the Shares

| Name of company | Capacity | No. of Shares held | Approximate percentage shareholding[1] |
|---|---|---|---|
| Sunrise Height Incorporated[2] | Beneficial owner | 1,474,918,313 | 49.26% |
| Green Ravine Limited[2] | Beneficial owner | 430,415,455 | 14.37% |

Notes:

(1) Base on 2,994,441,370 Shares in issue as at 31 March 2017.

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

## Interests in Shares of Other Persons

As at 31 March 2017, the Company has not been notified of any persons (other than the Directors or chief executives or substantial shareholders of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register to be kept under Section 336 of the SFO.

## Management contracts

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

## 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, 15 June 2017

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)*

## Opinion

### *What we have audited*

The consolidated financial statements of Sa Sa International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 170 to 230, which comprise:

- the consolidated statement of financial position as at 31 March 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### *Our opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment of retail store assets
- Provision for inventory

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Impairment of retail store assets** | |
| Refer to Note 12 to the consolidated financial statements<br><br>The Group had HK$284.2 million of property, plant and equipment as at 31 March 2017, of which approximately HK$99.3 million was attributable to its retail stores. The carrying amount of the retail store assets is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.<br><br>Management regards each individual retail store as a separately identifiable cash-generating unit and monitors their financial performance for the existence of impairment indicators, such as stores making a loss and early closure of stores before the lease term. The Group usually allows for a period of 6 to 18 months at the beginning of the lease for loss making new stores, depending on the tenure of lease (the "shelter period").<br><br>Management carried out an impairment assessment for the retail store assets which have an impairment indicator (referred to as "underperforming retail stores") and as a result an impairment loss of HK$10.4 million has been recognised in the consolidated income statement for the year. The recoverable amount of the assets of underperforming stores is determined by value-in-use calculations using discounted cash flow projections based on the financial forecasts approved by management covering the remaining tenure of the lease.<br><br>We focused on this area because significant estimation and judgement were involved in deciding whether a retail store has an impairment indicator and in determining the recoverable amounts of the relevant retail store assets. | We evaluated management's assessment process for identifying underperforming retail stores by:<br><br>– enquiring of management on their basis of identifying impairment indicators;<br><br>– challenging the judgements made in the identification of impairment indicators;<br><br>– comparing current year's performance of retail stores with impairment indicators to the store prior year's performance;<br><br>– comparing the actual performance, for newly opened stores, to the budget; and<br><br>– assessing the appropriateness of the shelter period applied to newly opened retail stores by comparing the budget for stores prepared upon their opening to the historical data of stores nearby.<br><br>We tested the impairment calculation by performing the following procedures:<br><br>– compared the forecasted sales performance to the approved business plan, and compared estimated running costs to the historical records;<br><br>– enquired of management in relation to key assumptions in their business plan and evaluated the key assumptions (such as revenue growth rate and gross profit margin) applied by comparing them to historical information and our understanding of latest market information and conditions;<br><br>– recomputed the impairment loss calculation; and<br><br>– evaluated the sensitivity analysis to ascertain the extent of change in the key assumptions either individually or collectively that would result in the retail store assets being impaired and also considered the likelihood of such a change in the key assumptions arising.<br><br>Based on our work performed, we found the impairment of retail store assets made by management to be supported by available evidence. |

## Key Audit Matters (continued)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Provision for inventory** | |
| Refer to Note 15 to the consolidated financial statements<br><br>The Group had net inventories of HK$1,221.8 million as at 31 March 2017, which represented approximately 41.7% of the Group's total assets.<br><br>The Group estimates the provision for inventory based on the inventory turnover days and sales performance of individual stock keeping units ("SKU") and makes specific provision for near-expiry and slow-moving inventory by SKU. The Group also estimates the shrinkage provision with reference to the level of inventory loss in the prior year.<br><br>We focused on this area because of the magnitude of the inventories and the estimation of the net realisable value of inventories involved a high level of management judgement. These estimations are also subjected to uncertainty as a result of change of market trends and competitor actions. | We evaluated management's basis for the inventory provisions and evaluated the outcome of management's estimations, analysis made by management and methodology applied to identify slow moving and obsolete SKUs.<br><br>We evaluated the estimates made by management and used to determine the provisioning percentages applicable to different SKUs by discussion with management on the latest market trend and their sales strategy and by comparing the level of inventories written-off during the year to the provisions made in prior year. We also compared the shrinkage provision with the actual inventory loss for the past year.<br><br>We performed a recalculation, on a sample basis, of the inventory provision made on individual SKUs.<br><br>Based on the procedures performed, we consider management's judgement and estimates in the assessment of the net realisable value of inventory, to be supported by the available evidence. |

## Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee is responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Yuen Kwok Kin Andrew.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 15 June 2017

| | Note | 2017<br>HK$'000 | 2016<br>HK$'000<br>Restated |
|---|---|---|---|
| Turnover | 2 | 7,746,152 | 7,791,244 |
| Cost of sales | 5 | (4,517,334) | (4,418,416) |
| Gross profit | | 3,228,818 | 3,372,828 |
| Other income | 2 | 107,757 | 117,379 |
| Selling and distribution costs | 5 | (2,622,818) | (2,690,878) |
| Administrative expenses | 5 | (317,224) | (341,694) |
| Other (losses)/gains – net | 4 | (1,240) | 3,440 |
| Operating profit | | 395,293 | 461,075 |
| Finance income | 8 | 10,105 | 9,380 |
| Profit before income tax | | 405,398 | 470,455 |
| Income tax expense | 9 | (78,693) | (86,985) |
| Profit for the year attributable to owners of the Company | | 326,705 | 383,470 |
| Earnings per share for profit attributable to owners of the Company for the year (expressed in HK cents per share) | 10 | | |
| Basic | | 11.2 | 13.4 |
| Diluted | | 11.2 | 13.4 |

The notes and disclosures on pages 177 to 230 are an integral part of these consolidated financial statements.

| | Note | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|---|
| **Profit for the year** | | 326,705 | 383,470 |
| **Other comprehensive loss** | | | |
| Item that will not be reclassified subsequently to profit or loss | | | |
| Actuarial gains/(losses) on retirement benefit obligations | 22 (b) | 2,593 | (3,241) |
| Items that may be reclassified to profit or loss | | | |
| Cash flow hedges, net of tax | | 87 | 61 |
| Currency translation differences of foreign subsidiaries recorded in translation reserve | | (21,576) | (19,246) |
| **Other comprehensive loss for the year, net of tax** | | (18,896) | (22,426) |
| **Total comprehensive income for the year attributable to owners of the Company** | | 307,809 | 361,044 |

The notes and disclosures on pages 177 to 230 are an integral part of these consolidated financial statements.

| | Note | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | 284,242 | 321,089 |
| Rental deposits, prepayments and other assets | 13 | 150,680 | 167,026 |
| Deferred tax assets | 14 | 13,620 | 15,786 |
| | | 448,542 | 503,901 |
| **Current assets** | | | |
| Inventories | 15 | 1,221,794 | 1,102,385 |
| Trade receivables | 16 | 67,076 | 79,150 |
| Other receivables, deposits and prepayments | 17 | 222,940 | 207,060 |
| Time deposits | 18 | 513,024 | 393,244 |
| Cash and cash equivalents | 18 | 455,701 | 685,763 |
| | | 2,480,535 | 2,467,602 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade payables | 19 | 313,913 | 261,495 |
| Other payables and accruals | 20 | 291,792 | 321,307 |
| Income tax payable | | 44,871 | 50,496 |
| | | 650,576 | 633,298 |
| **Net current assets** | | 1,829,959 | 1,834,304 |
| **Total assets less current liabilities** | | 2,278,501 | 2,338,205 |
| **Non-current liabilities** | | | |
| Retirement benefit obligations | 22 | 6,588 | 9,114 |
| Deferred tax liabilities | 14 | 327 | 432 |
| Other payables | | 52,420 | 40,373 |
| | | 59,335 | 49,919 |
| **Net assets** | | 2,219,166 | 2,288,286 |

| | Note | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **EQUITY** | | | |
| **Capital and reserves** | | | |
| Share capital | 23 | 299,444 | 289,213 |
| Reserves | 24 | 1,919,722 | 1,999,073 |
| **Total equity** | | 2,219,166 | 2,288,286 |

On behalf of the Board

**KWOK Siu Ming Simon**
*Director*

**KWOK LAW Kwai Chun Eleanor**
*Director*

The notes and disclosures on pages 177 to 230 are an integral part of these consolidated financial statements.

| | Note | Share capital HK$'000 | Reserves HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| 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 obligations | | – | (3,241) | (3,241) |
| Cash flow hedges, net of tax | | – | 61 | 61 |
| Currency translation differences of foreign subsidiaries recorded in translation 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: | | | | |
| Value of employee services | 24 | – | 3,850 | 3,850 |
| Issue of shares upon scrip dividend of 2015/16 interim and special dividends | 23 & 24 | 4,745 | 110,554 | 115,299 |
| Unclaimed dividends forfeited | 24 | – | 198 | 198 |
| Dividends: | | | | |
| 2014/15 final and special dividends | 24 | – | (412,479) | (412,479) |
| 2015/16 interim dividend | 24 | – | (142,234) | (142,234) |
| 2015/16 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 |

| | Note | Share capital HK$'000 | Reserves HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Balance at 1 April 2016 | | 289,213 | 1,999,073 | 2,288,286 |
| Profit for the year | | – | 326,705 | 326,705 |
| Other comprehensive loss: | | | | |
| Actuarial gains on retirement benefit obligations | | – | 2,593 | 2,593 |
| Cash flow hedges, net of tax | | – | 87 | 87 |
| Currency translation differences of foreign subsidiaries recorded in translation reserve | | – | (21,576) | (21,576) |
| Total comprehensive income for the year | | – | 307,809 | 307,809 |
| Share Award Scheme: | | | | |
| Value of employee services | 24 | – | 8,377 | 8,377 |
| Shares purchased for Share Award Scheme | 23(b) | – | (5,343) | (5,343) |
| Employee share option scheme: | | | | |
| Value of employee services | 24 | – | 840 | 840 |
| Issue of shares upon scrip dividend of 2015/16 final and special dividends | 23 & 24 | 6,872 | 192,424 | 199,296 |
| Issue of shares upon scrip dividend of 2016/17 interim and special dividends | 23 & 24 | 3,359 | 102,104 | 105,463 |
| Unclaimed dividends forfeited | 24 | – | 274 | 274 |
| Dividends: | | | | |
| 2015/16 final and special dividends | 24 | – | (419,359) | (419,359) |
| 2016/17 interim dividend | 24 | – | (148,043) | (148,043) |
| 2016/17 special dividend | 24 | – | (118,434) | (118,434) |
| Total transactions with owners, recognised directly in equity | | 10,231 | (387,160) | (376,929) |
| **Balance at 31 March 2017** | | 299,444 | 1,919,722 | 2,219,166 |

The notes and disclosures on pages 177 to 230 are an integral part of these consolidated financial statements.

| | Note | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 25 | 439,205 | 654,007 |
| Hong Kong profits tax paid | | (49,902) | (40,653) |
| Overseas tax paid | | (32,580) | (34,432) |
| **Net cash generated from operating activities** | | 356,723 | 578,922 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (81,881) | (117,035) |
| Proceeds from disposal of property, plant and equipment | 25 | 315 | 4,505 |
| (Increase)/decrease in time deposits | 18 | (119,780) | 250,732 |
| Interest received | | 6,924 | 7,845 |
| **Net cash (used in)/generated from investing activities** | | (194,422) | 146,047 |
| **Cash flows from financing activities** | | | |
| Purchase of shares for Share Award Scheme | 23(b) | (5,343) | – |
| Unclaimed dividends forfeited | | 274 | 198 |
| Cash dividends paid to Company's shareholders | | (381,077) | (553,202) |
| **Net cash used in financing activities** | | (386,146) | (553,004) |
| **Net (decrease)/increase in cash and cash equivalents** | | (223,845) | 171,965 |
| **Cash and cash equivalents at beginning of year** | 18 | 685,763 | 519,702 |
| Effect of foreign exchange rate changes | | (6,217) | (5,904) |
| **Cash and cash equivalents at end of year** | 18 | 455,701 | 685,763 |

The notes and disclosures on pages 177 to 230 are an integral part of these consolidated financial statements.

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

## 1 Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in "Critical Accounting Estimates and Judgements" on page 189.

## 2 Changes in accounting policies and disclosures

### (i) Amendments to standards mandatory for the first time for the financial year beginning 1 April 2016 and were early adopted in prior years

- HKAS 1 (Amendment), "Disclosure initiative"
- HKAS 16 and HKAS 38 (Amendment), "Clarification of acceptable methods of depreciation and amortisation"
- HKAS 16 and HKAS 41 (Amendment), "Agriculture: bearer plants"
- HKAS 27 (Amendment), "Equity method in separate financial statements"
- HKFRS 10, HKFRS 12 and HKAS 28 (Amendment), "Investment entities: applying the consolidation exception"
- HKFRS 11 (Amendment), "Accounting for acquisitions of interests in joint operations"
- HKFRS 14 (Amendment), "Regulatory deferral accounts"
- Annual Improvements to HKFRSs, 2012 – 2014 cycle

### (ii) Early adoption of amendments to standards during the year ended 31 March 2017 where early adoption is permitted

- HKAS 7 (Amendment), "Statement of cash flows – disclosure initiative" (effective for annual periods beginning on or after 1 April 2017). The amendment introduces an additional disclosure on non-cash changes that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

  The early adoption of HKAS 7 (Amendment) does not result in additional disclosure to the consolidated statement of cash flows as the Group does not have significant non-cash changes arising from financing activities.

## 2 Changes in accounting policies and disclosures (continued)

### (ii) Early adoption of amendments to standards during the year ended 31 March 2017 where early adoption is permitted (continued)

- HKAS 12 (Amendment), "Recognition of deferred tax assets for unrealised tax losses" (effective for annual periods beginning on or after 1 April 2017). This amendment on the recognition of deferred tax assets for unrealised losses clarifies how to account for deferred tax assets related to debt instruments measured at fair value.

  The early adoption of HKAS 12 (Amendment) does not have any impact to the Group as the Group does not have any material debt instruments measured at fair value.

- HKFRS 2 (Amendment), "Classification and measurement of share-based payment transactions" (effective for annual periods beginning on or after 1 April 2018). This amendment clarifies the measurement basis for cash-settled share-based payments and the accounting for modification from cash-settled awards to equity-settled awards. It also introduces an exception to the principles in HKFRS 2 that requires an award to be treated as if it is wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

  The early adoption of HKFRS 2 (Amendment) does not have any impact to the Group as the Group does not have any cash-settled share-based payments or modification from cash-settled awards to equity-settled awards.

### (iii) The following new and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2016 and have not been early adopted

- HKFRS 9, "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 15 (Amendment), "Clarification to HKFRS 15" (effective for annual periods beginning on or after 1 April 2018)

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

#### HKFRS 9, "Financial instruments"

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

HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

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

## 2 Changes in accounting policies and disclosures (continued)

### (iii) The following new and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2016 and have not been early adopted (continued)

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

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be necessary to be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group is yet to undertake a detailed assessment on the relevant impact of such amendments to our hedging transactions.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

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

**HKFRS 15, "Revenue from contracts with customers"**

HKFRS 15 will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The new standard permits either a full retrospective or a modified retrospective approach for the adoption.

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

(1) Identify the contract(s) with customer;

(2) Identify separate performance obligations in a contract;

(3) Determine the transaction price;

(4) Allocate transaction price to performance obligations; and

(5) Recognise revenue when performance obligation is satisfied.

The core principle is that the Group should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an earnings processes to an "asset-liability" approach based on transfer of control.

The Group's revenue recognition policies are disclosed in Note 2. Currently, revenue from the slide display rental income is recognised over time, whereas revenue from the sales of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Management is currently assessing the impact of applying HKFRS 15 on the Group's financial statements by identifying the separate performance obligations in the contracts with customers and allocating the transaction prices, which could affect the timing of the revenue recognition.

## 2 Changes in accounting policies and disclosures (continued)

### (iii) The following new and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2016 and have not been early adopted (continued)

**HKFRS 16, "Leases"**

HKFRS 16, "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces HKAS 17 "Leases" and related interpretations.

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$1,693,392,000 (Note 26(b)). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

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

(iv) Prior to 1 April 2016, the Group recognised certain incentives received from suppliers as part of its revenue or offset against the Group's selling expenses. During the year end 31 March 2017, the Group has revisited its arrangements with its suppliers and considered incentives received from suppliers for which the Group did not provide any separable identifiable promotion services, should be accounted for as a reduction of its cost of sales. Adjustments have been made to reclassify the comparative information to conform with the current year presentation. These changes have been applied retrospectively in accordance with HKAS 8 and there were no net impact on the profit for the year ended 31 March 2016 and the balance sheet position as at 31 March 2016. The nature and amounts of the adjustments are summarised as follows:

(i) certain suppliers' incentives amounting to HK$54,631,000 which was previously recognised within "turnover" for the year ended 31 March 2016 is now offset against "cost of sales"; and

(ii) certain suppliers' incentives amounting to HK$26,819,000 which was previously recognised within "selling and distribution costs" for the year ended 31 March 2016 is now offset against "cost of sales".

The impact on the consolidated income statement for the year ended 31 March 2016 is presented as below:

| | 2015/16<br>HK$'000 |
|---|---|
| Decrease in turnover | 54,631 |
| Decrease in cost of sales | 81,450 |
| Increase in gross profit | 26,819 |
| Increase in selling and distribution costs | 26,819 |

## 3 Consolidation

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

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

## 4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the financial statements of the Company exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

## 5 Operating leases

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

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

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

## 6 Impairment of non-financial assets

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

## 7 Financial assets

### (i) Classification

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.

## 7 Financial assets (continued)

### (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.

## 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 (losses)/gains – net".

## 8 Foreign currency translation (continued)

### (iii) Group companies

The results and financial positions of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

## 9 Employee benefits

### (i) Employee leave entitlements

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

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

### (ii) Retirement benefit obligations

The Group operates various post-employments scheme, including defined contribution and defined benefit retirement plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

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

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

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

Past-service costs are recognised immediately in income statement.

## 9 Employee benefits (continued)

### (ii) Retirement benefit obligations (continued)

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.

### (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 undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

## 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.

## 1 Financial risk factors

The Group's activities expose it to a variety of financial risks including foreign exchange risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by management who identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating subsidiaries. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### (i) Foreign exchange risk

The Group operates in various countries and is exposed to foreign exchange risk against Hong Kong dollar arising from foreign exchange exposure. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operation.

Most of the assets, receipts and payments of the Group are either in Hong Kong dollar, US dollar, Euro or Renminbi. The Group minimises its foreign exchange exposure against purchase orders denominated in foreign currencies by entering into forward contracts with reputable financial institutions or at spot and maintain no material long position. The hedging policies are regularly reviewed by the Group.

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

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

### (ii) Credit risk

Credit risk arises from deposits with banks and financial institutions, rental deposits and trade and other receivables. As at 31 March 2017, 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 trade receivables, the Group performs periodic credit evaluations of its customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly reviewed. Sales to retail customers are settled in cash or using major credit cards. No material credit limits were exceeded during the reporting period, and management does not expect any material losses from non-performance by these counterparties.

Trade receivables are due within 90 days from the date of invoice. As at 31 March 2017, 86.9% (2016: 99.6%) 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 2017, the Group's financial liabilities were mainly trade payables and other payables amounting to HK$462,683,000 (2016: HK$431,655,000), which were substantially due within 3 months.

## 1 Financial risk factors (continued)

### (iv) Interest rate risk

The Group's interest rate risk resulted from timing differences in the repricing of interest-bearing assets or liabilities. Major interest-bearing assets of the Group are short-term bank deposits and time deposits, details of which have been disclosed in Note 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.

## 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 2017, 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 2017 and 2016, the Group had no borrowings, the gearing ratio is not applicable.

## 3 Fair value estimation

The table below analyses the Group's financial assets and liabilities carried at fair value as at 31 March 2017 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 2017**

| | Level 1<br>HK$'000 | Level 2<br>HK$'000 | Level 3<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|---|
| Assets | | | | |
| Derivatives used for hedging | | | | |
| – Forward foreign exchange contracts | – | 217 | – | 217 |
| Total assets | – | 217 | – | 217 |
| Liabilities | | | | |
| Derivatives used for hedging | | | | |
| – Forward foreign exchange contracts | – | 80 | – | 80 |
| Total liabilities | – | 80 | – | 80 |

## 3 Fair value estimation (continued)

As at 31 March 2016

| | Level 1<br>HK$'000 | Level 2<br>HK$'000 | Level 3<br>HK$'000 | Total<br>HK$'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 |

Forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market.

There was no movement for the transfer between each level of financial assets and liabilities during the years ended 31 March 2017 and 2016.

There were no changes in valuation techniques during the years ended 31 March 2017 and 2016.

# CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

## (i) Income taxes and deferred tax

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

As at 31 March 2017, the Group did not recognise deferred tax assets of HK$70,533,000 (2016: HK$59,587,000) in respect of tax losses and capital allowances amounting to HK$303,117,000 (2016: HK$243,540,000) and HK$31,807,000 (2016: HK$26,806,000) 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 and capital allowances, requires a process that involves determining appropriate provisions for income tax expense, forecasting future year's taxable income and assessing our ability to utilise tax benefits through future earnings. In cases where the actual future profits generated are different from original estimates than expected, such differences will impact the recognition of deferred tax assets and income tax charges in the year in which such circumstances are changed.

## (ii) Impairment of non-financial assets

The Group conducts tests for impairment annually in accordance with the relevant accounting standards and impairment reviews of non-financial assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Determining whether an asset is impaired requires an estimation of the recoverable amount, which requires the Group to estimate the value in use which base on discounted future cash flows. Where the discounted actual future cash flows are less than expected, an impairment loss may arise. During the year, after reviewing the business environment as well as the Group's strategies and past performance of its cash-generating units, management concluded that there were impairment for plant and equipment totally HK$10,423,000 (2016: HK$17,249,000). Management believe that any reasonably possible changes in the assumptions used in the impairment reviews would not affect management's view on impairment at current year end.

## (iii) Provision for inventory

The Group estimates the provision for inventory based on the inventory turnover days and sales performance of inventories and made specific provision for near-expiry and slow-moving inventories. The Group also estimates the shrinkage provision with reference to the level of inventory loss in prior years.

Provision for inventory is recorded where events or changes in circumstances indicate that the carrying cost of inventories will not be fully realised. The quantification of inventory provision requires the use of estimates and judgements. Where the outcomes are different from the original estimates, such differences will impact the carrying value of inventories and provisions for inventory in the years in which such estimates have been changed.

## 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 2017, 49.3% 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 15 June 2017.

## 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.

## 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:

| | 2017<br>HK$'000 | 2016<br>HK$'000<br>Restated |
|---|---|---|
| Turnover | | |
| Retail and wholesale | 7,746,152 | 7,791,244 |
| Other income | | |
| Slide display rental income | 60,750 | 62,767 |
| Sub-lease income | 47,007 | 54,612 |
| | 107,757 | 117,379 |
| | 7,853,909 | 7,908,623 |

## 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.

During the year ended 31 March 2017, E-commerce qualifies as reportable segment; the comparatives have been restated. Business reportable segments identified are Hong Kong & Macau, Mainland China, E-commerce and All other segments. All other segments refer to segment results from markets in Singapore, Malaysia and Taiwan.

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

## 3 Segment information (continued)

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

| | For the year ended 31 March 2017 | | | | |
|---|---|---|---|---|---|
| | Hong Kong & Macau HK$'000 | Mainland China HK$'000 | E-commerce HK$'000 | All other segments HK$'000 | Total HK$'000 |
| Turnover | 6,266,540 | 276,497 | 475,189 | 727,926 | 7,746,152 |
| Segment results | 432,646 | (15,082) | (67,144) | (23,715) | 326,705 |
| Other information | | | | | |
| Capital expenditure | 53,333 | 6,054 | 1,817 | 20,677 | 81,881 |
| Finance income | 8,298 | 307 | 15 | 1,485 | 10,105 |
| Income tax expense/(credit) | 82,987 | – | (12,640) | 8,346 | 78,693 |
| Depreciation | 61,872 | 10,301 | 2,132 | 28,672 | 102,977 |
| Provision/(reversal of provision) for slow moving inventories and shrinkage | 18,158 | (8,422) | 8,215 | 14,124 | 32,075 |
| Impairment of property, plant and equipment | 3,137 | 1,997 | – | 5,289 | 10,423 |

| | For the year ended 31 March 2016 (Restated) | | | | |
|---|---|---|---|---|---|
| | Hong Kong & Macau HK$'000 | Mainland China HK$'000 | E-commerce HK$'000 | All other segments HK$'000 | Total HK$'000 |
| Turnover | 6,268,925 | 303,803 | 433,991 | 784,525 | 7,791,244 |
| Segment results | 465,700 | (39,640) | (31,475) | (11,115) | 383,470 |
| Other information | | | | | |
| Capital expenditure | 60,159 | 11,632 | 2,813 | 42,431 | 117,035 |
| Finance income | 7,075 | 381 | 20 | 1,904 | 9,380 |
| Income tax expense/(credit) | 86,591 | – | (6,217) | 6,611 | 86,985 |
| Depreciation | 80,905 | 11,107 | 1,810 | 29,469 | 123,291 |
| Provision for slow moving inventories and shrinkage | 52,607 | 17,547 | 5,449 | 9,651 | 85,254 |
| Impairment of property, plant and equipment | 7,776 | 2,298 | – | 7,175 | 17,249 |

## 3 Segment information (continued)

| | Hong Kong & Macau HK$'000 | Mainland China HK$'000 | E-commerce HK$'000 | All other segments HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 31 March 2017 | | | | | |
| Non-current assets | 353,243 | 15,487 | 3,207 | 76,605 | 448,542 |
| Current assets | 1,884,871 | 152,270 | 151,726 | 291,668 | 2,480,535 |
| Total assets | | | | | 2,929,077 |
| At 31 March 2016 | | | | | |
| Non-current assets | 382,529 | 24,444 | 4,233 | 92,695 | 503,901 |
| Current assets | 1,877,528 | 161,389 | 100,455 | 328,230 | 2,467,602 |
| Total assets | | | | | 2,971,503 |

## 4 Other (losses)/gains – net

Significant Accounting Policies No. 8

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Net exchange (losses)/gains | (1,240) | 3,440 |

## 5 Expenses by nature

| | 2017<br>HK$'000 | 2016<br>HK$'000<br>Restated |
|---|---|---|
| Cost of inventories sold | 4,485,259 | 4,333,162 |
| Employee benefit expenses (including directors' emoluments) (Note 6) | 1,064,354 | 1,103,778 |
| Operating lease rentals in respect of land and buildings | | |
| – minimum lease payments | 924,502 | 947,388 |
| – contingent rent | 66,731 | 65,775 |
| Advertising and promotion expenses | 126,793 | 140,868 |
| Transportation, storage and delivery charges | 104,156 | 101,543 |
| Depreciation of property, plant and equipment (Note 12) | 102,977 | 123,291 |
| Building management fees, government rent and rates | 100,015 | 91,005 |
| Utilities and telecommunication | 59,946 | 63,339 |
| Sub-lease expenses | 45,113 | 54,304 |
| Repair and maintenance | 42,722 | 43,031 |
| Provision for slow moving inventories and shrinkage (Note 15) | 32,075 | 85,254 |
| Impairment of property, plant and equipment (Note 12) | 10,423 | 17,249 |
| Auditors' remuneration | | |
| – audit services | 3,433 | 3,476 |
| – non-audit services | 1,478 | 1,351 |
| Donations | 3,365 | 4,740 |
| Write-off of property, plant and equipment (Note 12) | 1,979 | 2,667 |
| Others | 282,055 | 268,767 |
| | 7,457,376 | 7,450,988 |
| Representing: | | |
| Cost of sales | 4,517,334 | 4,418,416 |
| Selling and distribution costs | 2,622,818 | 2,690,878 |
| Administrative expenses | 317,224 | 341,694 |
| | 7,457,376 | 7,450,988 |

## 6 Employee benefit expenses (including directors' emoluments)

Significant Accounting Policies No. 9

| | 2017<br>HK$'000 | 2016<br>HK$'000<br>Restated |
|---|---|---|
| Basic salaries, bonuses, housing allowances, other allowances and benefits-in-kind | 998,471 | 1,037,363 |
| Retirement benefit costs (Note 22(b)) | 50,356 | 53,448 |
| Share-based payment | 9,217 | 5,738 |
| Provision for unutilised annual leave | 4,580 | 5,466 |
| Directors' fees | 1,730 | 1,763 |
| | 1,064,354 | 1,103,778 |

## 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 (2016: 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$100,000 and HK$80,000 (2016: HK$70,000 and HK$50,000) respectively starting from 1 January 2017.

The aggregate amounts of emoluments payable to the directors of the Company during the year were as follows:

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Directors' fees | 1,730 | 1,763 |
| Basic salaries, housing allowances, other allowances and benefits-in-kind | 8,632 | 8,632 |
| Discretionary bonuses | 454 | 454 |
| Retirement benefit costs | 604 | 605 |
| Share-based payment | 664 | 460 |
| | 12,084 | 11,914 |

The remuneration of each director of the Company during the year ended 31 March 2017 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) & (ii) HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| Executive Directors | | | | | | |
| Dr KWOK Siu Ming Simon (iv) | – | 2,858 | 238 | 200 | – | 3,296 |
| Dr KWOK LAW Kwai Chun Eleanor | – | 2,594 | 216 | 181 | – | 2,991 |
| Dr LOOK Guy (iii) | – | 3,180 | – | 223 | 664 | 4,067 |
| Non-executive Director | | | | | | |
| Ms LEE Yun Chun Marie-Christine | 257 | – | – | – | – | 257 |
| Independent Non-executive Directors | | | | | | |
| Professor CHAN Yuk Shee (v) | 246 | – | – | – | – | 246 |
| Dr LEUNG Kwok Fai Thomas | 315 | – | – | – | – | 315 |
| Ms TAM Wai Chu Maria | 315 | – | – | – | – | 315 |
| Ms KI Man Fung Leonie | 315 | – | – | – | – | 315 |
| Mr TAN Wee Seng | 282 | – | – | – | – | 282 |
| | 1,730 | 8,632 | 454 | 604 | 664 | 12,084 |

## 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 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) & (ii) HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| Executive Directors | | | | | | |
| Dr KWOK Siu Ming Simon (iv) | – | 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 (v) | 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:

(i) Share-based payment represents amortisation to the income statement of the fair value of awarded shares and share options measured at the respective grant dates, regardless of whether the share options would be exercised or not.

(ii) During the years ended 31 March 2017 and 2016, no share options were granted to the executive director under the 2002 Share Option Scheme and the 2012 Share Option Scheme.

(iii) During the year ended 31 March 2017, 200,000 shares were awarded to the executive director under the Share Award Scheme. The vesting of 100,000 awarded shares out of 200,000 shares as at 31 March 2017 is subject to certain performance targets that must be achieved by the director.

(iv) Dr KWOK Siu Ming Simon is the Chief Executive Officer of the Company.

(v) Professor CHAN Yuk Shee retired as an Independent Non-executive Directors of the Company with effect on 1 January 2017.

No compensation for loss of office has been paid to the directors for the years ended 31 March 2017 and 2016.

No director of the Company waived any emoluments during the years ended 31 March 2017 and 2016.

## 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 (2016: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2016: two) individuals during the year were as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Basic salaries, housing allowances, other allowances and benefits-in-kind | 3,900 | 3,564 |
| Share-based payment | 852 | 731 |
| Discretionary bonuses | 793 | 797 |
| Retirement benefit costs | 256 | 249 |
| | 5,801 | 5,341 |

The emoluments of the individuals fell within the following bands:

| | Number of individuals | |
|---|---|---|
| Emoluments bands | 2017 | 2016 |
| HK$2,500,001 – HK$3,000,000 | 2 | 2 |

### (c) Senior management emoluments (excluding directors' emoluments)

The details of the senior management emoluments (excluding directors' emoluments) payable during the year were as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Basic salaries, housing allowances, other allowances and benefits-in-kind | 7,930 | 4,608 |
| Share-based payment | 2,295 | 610 |
| Discretionary bonuses | 656 | 959 |
| Retirement benefit costs | 441 | 323 |
| | 11,322 | 6,500 |

One (2016: one) of the senior management emoluments are included in the analysis presented in Note 7(b) above.

The emoluments of the individuals fell within the following bands:

| | Number of individuals | |
|---|---|---|
| Emoluments bands | 2017 | 2016 |
| HK$1,500,001 – HK$2,000,000 | 1 | 2 |
| HK$2,000,001 – HK$2,500,000 | 2 | – |
| HK$2,500,001 – HK$3,000,000 | 2 | 1 |
| | 5 | 3 |

## 8 Finance income

### Accounting Policy

Interest income is recognised on a time-proportion basis using the effective interest method.

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Interest income on bank deposits | 7,732 | 6,633 |
| Others | 2,373 | 2,747 |
| Finance income | 10,105 | 9,380 |

## 9 Income tax expense

### Accounting Policy

The tax expense for the year is comprised 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.

Please refer to **Critical Accounting Estimates and Judgements (i)** for estimates and judgements on income tax.

## 9 Income tax expense (continued)

Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates respectively.

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Current tax: | | |
| Hong Kong profits tax | | |
| Current | 49,376 | 61,433 |
| Over-provision in previous years | (588) | (321) |
| Overseas taxation | | |
| Current | 28,378 | 27,982 |
| Over-provision in previous years | (76) | (139) |
| **Total current tax** | 77,090 | 88,955 |
| Deferred tax (Note 14): | | |
| Origination and reversal of temporary differences | 1,603 | (1,970) |
| **Income tax expense** | 78,693 | 86,985 |

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:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Profit before income tax | 405,398 | 470,455 |
| Tax calculated at a taxation rate of 16.5% (2016: 16.5%) | 66,891 | 77,625 |
| Effect of different taxation rates in other countries | (5,723) | (7,091) |
| Expenses not deductible for income tax purposes | 7,773 | 4,175 |
| Income not subject to income tax | (2,464) | (2,159) |
| Unrecognised tax losses | 12,880 | 14,895 |
| Over-provision in previous years | (664) | (460) |
| Income tax expense | 78,693 | 86,985 |

## 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.

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Profit attributable to owners of the Company | 326,705 | 383,470 |
| Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the year (thousands) | 2,927,021 | 2,854,155 |

(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 2017 has been included in the number of shares.

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Profit attributable to owners of the Company | 326,705 | 383,470 |
| Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the year (thousands) | 2,927,021 | 2,854,155 |
| Adjustment for share options and awarded shares (thousands) | 2,049 | 1,127 |
| Weighted average number of ordinary shares for diluted earnings per share (thousands) | 2,929,070 | 2,855,282 |

## 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.

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Interim, paid – 5.0 HK cents (2016: 5.0 HK cents) per share | 148,043 | 142,234 |
| Special, paid – 4.0 HK cents (2016: 4.0 HK cents) per share | 118,434 | 113,788 |
| Final, proposed – 8.0 HK cents (2016: 9.0 HK cents) per share | 239,555 | 260,292 |
| Special, proposed – Nil (2016: 5.5 HK cents) per share | – | 159,067 |
| | 506,032 | 675,381 |

## 11 Dividends (continued)

For final dividend, scrip dividend election was offered to all shareholders. At a meeting held on 15 June 2017, the directors proposed a final dividend of 8.0 HK cents per share. The final dividend will be payable in cash with a scrip dividend alternative. This proposed dividend has not been reflected as dividend payables in these consolidated financial statements, but will be reflected as an appropriation of distributable reserve for the year ending 31 March 2018 if approved by the shareholders.

## 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)** for estimates and judgements on impairment for plant and equipment.

## 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 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 |
| Year ended 31 March 2017 | | | | | |
| Opening net book amount | 141,553 | 114,968 | 60,978 | 3,590 | 321,089 |
| Exchange differences | – | (1,660) | (1,684) | (5) | (3,349) |
| Additions | – | 59,685 | 21,883 | 313 | 81,881 |
| Write-off | – | (469) | (1,510) | – | (1,979) |
| Depreciation | (5,629) | (63,960) | (31,724) | (1,664) | (102,977) |
| Impairment losses | – | (8,929) | (1,494) | – | (10,423) |
| Closing net book amount | 135,924 | 99,635 | 46,449 | 2,234 | 284,242 |
| At 31 March 2017 | | | | | |
| Cost | 190,790 | 626,298 | 261,840 | 21,849 | 1,100,777 |
| Accumulated depreciation and impairment | (54,866) | (526,663) | (215,391) | (19,615) | (816,535) |
| Net book amount | 135,924 | 99,635 | 46,449 | 2,234 | 284,242 |

(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$81,170,000 (2016: HK$96,944,000) was included in selling and distribution costs and HK$21,807,000 (2016: HK$26,347,000) was included in administrative expenses.

(c) As at 31 March 2017, net book amount of retail store assets amounted to HK$99,332,000 (2016: HK$117,489,000). The Group regards each individual retail store as a separately identifiable cash-generating unit. Management carried out an impairment assessment for the retail store assets which have an impairment indicator. The carrying amount of the retail store assets is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. As a result, an impairment loss of HK$10,423,000 (2016: HK$17,249,000) was recognised in selling and distribution costs. The estimates of the recoverable amounts were based on value-in-use calculations using discounted cash flow projections based on the financial forecasts approved by management covering the remaining tenure of the lease.

## 13 Rental deposits, prepayments and other assets

Significant Accounting Policies No. 7

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Rental and other deposits | 142,493 | 160,359 |
| Prepayments | 2,635 | 1,115 |
| Others | 5,552 | 5,552 |
| | 150,680 | 167,026 |

Rental deposits are carried at amortised cost using the effective interest rate of 0.63% to 1.39% per annum (2016: 0.63% to 1.39% per annum). As at 31 March 2017, 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.

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.

## 14 Deferred tax (continued)

The movement in net deferred tax assets account is as follows:

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| At beginning of the year | 15,354 | 13,652 |
| Deferred tax (charged)/credited to the income statement (Note 9) | (1,603) | 1,970 |
| Exchange differences | (458) | (268) |
| At end of the year | 13,293 | 15,354 |

Deferred tax assets and liabilities are offset when there is a legally enforceable right to off-set current income tax assets against current income tax liabilities and when the deferred taxes relate to the same taxation authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Deferred tax assets | 13,620 | 15,786 |
| Deferred tax liabilities | (327) | (432) |
| Deferred tax assets – net | 13,293 | 15,354 |

As at 31 March 2017, except for the deferred tax assets on certain provisions were expected to be recovered within 12 months, substantially all remaining balances of other deferred tax assets and liabilities were expected to be recovered after 12 months.

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

| Deferred tax assets | Decelerated tax depreciation | | Provisions | | Tax losses | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2017 HK$'000 | 2016 HK$'000 | 2017 HK$'000 | 2016 HK$'000 | 2017 HK$'000 | 2016 HK$'000 | 2017 HK$'000 | 2016 HK$'000 |
| At beginning of the year | 10,857 | 8,490 | 5,176 | 5,650 | 283 | 426 | 16,316 | 14,566 |
| (Charged)/credited to the income statement | (1,729) | 2,385 | (175) | (224) | (145) | (143) | (2,049) | 2,018 |
| Exchange differences | (20) | (18) | (438) | (250) | – | – | (458) | (268) |
| At end of the year | 9,108 | 10,857 | 4,563 | 5,176 | 138 | 283 | 13,809 | 16,316 |

| Deferred tax liabilities | Accelerated tax depreciation | |
|---|---|---|
| | 2017 HK$'000 | 2016 HK$'000 |
| At beginning of the year | 962 | 914 |
| (Credited)/charged to the income statement | (446) | 48 |
| At end of the year | 516 | 962 |

## 14 Deferred tax (continued)

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$70,533,000 (2016: HK$59,587,000) in respect of tax losses amounting to HK$303,117,000 (2016: HK$243,540,000) and capital allowances amounting to HK$31,807,000 (2016: HK$26,806,000) that can be carried forward against future taxable income. Tax losses amounting to HK$193,811,000 (2016: HK$190,455,000) and HK$28,620,000 (2016: HK$6,054,000) will expire within 1-5 years and 5-10 years respectively from 31 March 2017. The remaining tax losses and capital allowances 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 provision for inventory.

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Merchandise for resale | 1,221,794 | 1,102,385 |

The cost of inventories recognised as expense and included in cost of sales amounted to HK$4,485,259,000 (2016: HK$4,333,162,000).

During the year, the Group has made a provision of HK$32,075,000 for slow moving inventories and shrinkage (2016: HK$85,254,000). 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.

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Trade receivables | 68,123 | 81,368 |
| Less: provision for impairment losses on trade receivables | (1,047) | (2,218) |
| Trade receivables – net | 67,076 | 79,150 |

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 120 days. The ageing analysis based on invoice date is as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Within 1 month | 48,674 | 48,968 |
| 1 to 3 months | 9,609 | 29,880 |
| Over 3 months | 9,840 | 2,520 |
| | 68,123 | 81,368 |

As at 31 March 2017, trade receivables of HK$2,054,000 (2016: HK$28,670,000) 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:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| 1 to 3 months | 1,060 | 28,190 |
| Over 3 months | 994 | 480 |
| | 2,054 | 28,670 |

## 16 Trade receivables (continued)

Trade receivables are denominated in the following currencies:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Renminbi | 36,080 | 18,806 |
| Hong Kong dollar | 21,289 | 46,924 |
| New Taiwan dollar | 5,802 | 9,824 |
| Others | 3,905 | 3,596 |
| | 67,076 | 79,150 |

Movement in the Group's provision for impairment of trade receivables is as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| At 1 April | 2,218 | 788 |
| (Reversal)/provision for impairment | (1,201) | 1,865 |
| Receivable written off during the year as uncollectible | – | (410) |
| Exchange differences | 30 | (25) |
| At 31 March | 1,047 | 2,218 |

During the year, the Group has made a reversal on provision for impairment losses on trade receivables of HK$1,201,000 (2016: provision of HK$1,865,000). The reversal on 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.

## 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.

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Rental and other deposits | 155,932 | 138,515 |
| Other receivables and payment in advance | 35,393 | 30,829 |
| Prepayments | 31,398 | 37,653 |
| Forward foreign exchange contracts (Note 21) | 217 | 63 |
| | 222,940 | 207,060 |

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.

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Time deposits | 513,024 | 393,244 |
| Short-term bank deposits | 235,297 | 372,981 |
| Cash at bank and on hand | 220,404 | 312,782 |
| Cash and cash equivalents | 455,701 | 685,763 |
| Total | 968,725 | 1,079,007 |

## 18 Cash and bank balances (continued)

Cash and bank balances are denominated in the following currencies:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Hong Kong dollar | 791,100 | 838,677 |
| Renminbi | 44,006 | 48,267 |
| US dollar | 38,266 | 40,651 |
| Malaysian Ringgit | 31,179 | 40,058 |
| Singapore dollar | 18,379 | 37,484 |
| New Taiwan dollar | 18,005 | 14,677 |
| Swiss Franc | 15,678 | 21,051 |
| Macau Pataca | 7,788 | 34,612 |
| Euro | 2,632 | 108 |
| Others | 1,692 | 3,422 |
| | 968,725 | 1,079,007 |

The year-end effective interest rate on time deposits over three months was 1.04% per annum (2016: 1.02% per annum). These deposits have an average maturity of 6 months (2016: 7 months).

The year-end effective interest rate on short-term bank deposits was 0.67% per annum (2016: 0.81% per annum). These deposits have an average maturity of 1 month (2016: 1 month).

As at 31 March 2017, out of the total cash and bank balances denominated in Renminbi and Malaysian Ringgit as stated above, approximately HK$41,649,000 (2016: HK$44,195,000) 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:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Within 1 month | 201,714 | 148,644 |
| 1 to 3 months | 96,992 | 85,320 |
| Over 3 months | 15,207 | 27,531 |
| | 313,913 | 261,495 |

## 19 Trade payables (continued)

The carrying amounts of trade payables approximate their fair values.

Trade payables are denominated in the following currencies:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Hong Kong dollar | 192,767 | 169,009 |
| Renminbi | 43,231 | 39,945 |
| Euro | 20,692 | 1,829 |
| US dollar | 16,984 | 5,901 |
| New Taiwan dollar | 11,196 | 19,414 |
| Malaysian Ringgit | 9,204 | 7,899 |
| Swiss Franc | 7,386 | 3,831 |
| Singapore dollar | 4,294 | 13,021 |
| Japanese Yen | 4,164 | 610 |
| Others | 3,995 | 36 |
| | 313,913 | 261,495 |

## 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.

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Accrued staff costs | 98,538 | 110,084 |
| Customers' deposits and temporary receipts | 28,981 | 44,196 |
| Accrued advertising and promotion expenses | 26,640 | 21,266 |
| Accrued rental related expenses | 18,526 | 32,159 |
| Valued-added tax and other tax payables | 17,202 | 14,380 |
| Accrued transportation expenses | 14,548 | 17,031 |
| Accrued capital expenditure | 13,834 | 17,687 |
| Forward foreign exchange contracts (Note 21) | 80 | 16 |
| Other payables and accruals | 73,443 | 64,488 |
| | 291,792 | 321,307 |

## 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 (losses)/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 (losses)/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 (losses)/gains – net'.

## 21 Forward foreign exchange contracts (continued)

| | 2017 Current assets HK$'000 | 2017 Current liabilities HK$'000 | 2016 Current assets HK$'000 | 2016 Current liabilities HK$'000 |
|---|---|---|---|---|
| Forward foreign exchange contracts – cash flow hedge | 217 | 80 | 63 | 16 |

The maturity dates of the outstanding forward foreign exchange contracts are within one year and are classified as current assets and current liabilities.

As at 31 March 2017, the notional principal amount of the outstanding forward foreign exchange contracts under cash flow hedges was HK$24,885,000 (2016: HK$4,704,000). 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 2017 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

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Retirement benefit obligations (asset)/liability on: | | |
| – defined benefit plan (Note 22 (b)(ii)) | (513) | (491) |
| – long service payments (Note 22 (b)(iii)) | 7,101 | 9,605 |
| | 6,588 | 9,114 |

## 22 Retirement benefit obligations (continued)

### (b) Retirement benefit costs

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Retirement benefit costs charged to income statement: | | |
| Retirement benefit costs (Note 6) | | |
| – defined contribution plans (Note 22 (b)(i)) | 50,170 | 52,967 |
| – defined benefit plan (Note 22 (b)(ii)) | 11 | (1) |
| | 50,181 | 52,966 |
| – long service payments (Note 22 (b)(iii)) | 175 | 482 |
| | 50,356 | 53,448 |
| Retirement benefit costs (credited)/charged to other comprehensive income: | | |
| – defined benefit plan (Note 22 (b)(ii)) | 67 | 375 |
| – long service payments (Note 22 (b)(iii)) | (2,660) | 2,866 |
| | (2,593) | 3,241 |

Notes:

(i) The subsidiaries of the Group in Hong Kong elected to contribute to the Mandatory Provident Fund Scheme ("MPF Scheme"). The MPF Scheme is a defined contribution retirement benefit plan administered by independent trustees. Under the MPF Scheme, both the employer and employees are required to contribute 5% of the employee's monthly salaries (capped at HK$30,000). Contributions from the employer equivalent to the contribution as specified at the rules of the MPF Scheme are 100% vested as soon as they are paid to the relevant MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the age of 65, subject to a few exceptions. As to the employer's contribution in excess of the portion vested in the MPF Scheme the employees are entitled to 100% of it after 10 years of completed service or at a reduced scale after completion of 3 to 9 years' service. No forfeited contributions for the Group is available to reduce the contribution payment in the future years.

The employees of the Group in Mainland China are members of state-managed retirement benefit schemes operated by the respective local government in Mainland China. The Group is required to contribute a specified percentage of payroll costs to the scheme to fund the benefits. The only obligation of the Group with respect to these schemes is to make the specified contributions.

Certain employees of the Group in Taiwan participate a defined contribution retirement benefit plan ("New Retirement Plan") administered by the local government and followed the local statutory requirements. The only obligation of the Group with respect to this plan is to make the specified contributions.

The Group also participates in a post-employment benefit plan and employees provident fund in Singapore and Malaysia respectively. The Group pays contribution to a separate entity and will have no legal or construction obligation to pay further amounts.

## 22 Retirement benefit obligations (continued)

### (b) Retirement benefit costs (continued)

Notes: (continued)

(ii) Before the effective of New Retirement Plan since 1 July 2005, a branch of a wholly-owned subsidiary of the Group in Taiwan participates in a central defined benefit retirement plan ("Old Retirement Plan") providing benefits to all employees in accordance with the Labor Standards Law (as amended) in Taiwan. The Group has an obligation to ensure that there are sufficient funds in the Old Retirement Plan to pay the benefits earned. The branch 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 2017 by Towers Watson Hong Kong Limited, a qualified actuary, using the projected unit credit method.

The amounts recognised in the consolidated statement of financial position are determined as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Present value of funded obligations | 2,766 | 2,485 |
| Fair value of plan assets | (3,279) | (2,976) |
| Net asset in the statement of financial position (Note 22 (a)) | (513) | (491) |

The movements of defined benefit plan during the year are as follow:

| | Fair value of plan assets<br>(Asset)/liability<br>HK$'000 | Present value of funded obligations<br>(Asset)/liability<br>HK$'000 | Total<br>(Asset)/liability<br>HK$'000 |
|---|---|---|---|
| At 1 April 2016 | (2,976) | 2,485 | (491) |
| Current service cost | – | 19 | 19 |
| Interest (income)/expense | (42) | 34 | (8) |
| Retirement benefit costs (credited)/charged to income statement | (42) | 53 | 11 |
| Remeasurements: | | | |
| Actuarial loss – experience | – | 202 | 202 |
| Actuarial gain – financial assumptions | – | (144) | (144) |
| Return on scheme assets less than discount rate | 9 | - | 9 |
| Retirement benefit costs charged to other comprehensive income | 9 | 58 | 67 |
| Employer contributions | (68) | – | (68) |
| Exchange difference | (202) | 170 | (32) |
| At 31 March 2017 | (3,279) | 2,766 | (513) |

## 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 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 less 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) |

The principal actuarial assumptions used are as follows:

| | 2017 % | 2016 % |
|---|---|---|
| Discount rate | 1.8 | 1.3 |
| Expected rate of future salary increases | 3.0 | 3.0 |

The sensitivity of the defined benefit plan obligation to changes in the weighted principal assumption is as follows:

| Assumption | Change to adopted rate | Effect on defined benefit plan obligation |
|---|---|---|
| Discount rate | +0.25% | -2.7% |
| | -0.25% | +2.9% |
| Expected rate of future salary increases | +0.25% | +2.8% |
| | -0.25% | -2.7% |

## 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 2017 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 | |
|---|---|---|
| | 2017 HK$'000 | 2016 HK$'000 |
| At 1 April | 9,605 | 6,426 |
| Current service cost | 64 | 383 |
| Interest cost on scheme assets | 111 | 99 |
| Retirement benefit costs charged to income statement | 175 | 482 |
| Remeasurements: | | |
| Actuarial (gain)/loss- experience | (3,357) | 5,105 |
| Actuarial loss/(gain) – financial assumptions | 1,831 | (2,239) |
| Actuarial gain – demographic assumptions | (1,134) | – |
| Retirement benefit costs (credited)/charged to other comprehensive income | (2,660) | 2,866 |
| Benefits paid directly by the employer | (19) | (169) |
| At 31 March | 7,101 | 9,605 |

The principal actuarial assumptions used are as follows:

| | 2017 % | 2016 % |
|---|---|---|
| Discount rate | 1.7 | 1.2 |
| Expected rate of future salary increases | 3.5 | 3.5 |

The sensitivity of the long service payments to changes in the weighted principal assumption is as follows:

| Assumption | Change to adopted rate | Effect on defined benefit plan obligation |
|---|---|---|
| Discount rate | +0.25% | -2.9% |
| | -0.25% | +3.0% |
| Expected rate of future salary increases | +0.25% | +11.2% |
| | -0.25% | -11.7% |

## 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$0.1 each | No. of shares | HK$'000 |
|---|---|---|
| At 31 March 2016 and 2017 | 8,000,000,000 | 800,000 |
| Issued and fully paid shares of HK$0.1 each | | |
| At 1 April 2015 | 2,844,683,520 | 284,468 |
| Issue of shares upon scrip dividend of 2015/16 interim and special dividends | 47,448,041 | 4,745 |
| At 31 March 2016 | 2,892,131,561 | 289,213 |
| Issue of shares upon scrip dividend of 2015/16 final and special dividends | 68,722,840 | 6,872 |
| Issue of shares upon scrip dividend of 2016/17 interim and special dividends | 33,586,969 | 3,359 |
| At 31 March 2017 | 2,994,441,370 | 299,444 |

(a) Share options

The 2002 Share Option Scheme was adopted on 29 August 2002 and terminated on 23 August 2012. No further options could be granted under the 2002 Share Option Scheme upon termination but the options already granted remained governed by the 2002 Share Option Scheme. The 2012 Share Option Scheme was adopted on 23 August 2012.

Under both the 2002 Share Option Scheme and the 2012 Share Option Scheme, share options may be granted to any directors (including executive, non-executive and independent non-executive directors) and employees of the Group, and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any members of the Group who the Board or a duly authorized 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. The outstanding share options of the Company were granted under the 2002 Share Option Scheme and the 2012 Share Option Scheme.

## 23 Share capital (continued)

### (a) Share options (continued)

Movements in the number of share options outstanding are as follows:

| | No. of share options year ended 31 March 2017 | 2016 |
|---|---|---|
| At beginning of the year | 35,741,988 | 38,190,988 |
| Lapsed | (752,000) | (2,449,000) |
| At end of the year | 34,989,988 | 35,741,988 |

The expiry dates and subscription prices of the share options outstanding as at 31 March 2017 are set out as follows:

| Expiry date | Subscription price per Share (HK$) | No. of share options outstanding as at 31 March 2017 | 2016 |
|---|---|---|---|
| 2002 Share Option Scheme | | | |
| 29 September 2020 | 3.16 | 582,000 | 602,000 |
| 16 June 2021 | 4.95 | 2,290,000 | 2,470,000 |
| 28 February 2022 | 4.77 | 22,145,988 | 22,145,988 |
| 28 June 2022 | 4.85 | 4,226,000 | 4,416,000 |
| 2012 Share Option Scheme | | | |
| 20 June 2023 | 8.07 | 5,746,000 | 6,108,000 |
| | | 34,989,988 | 35,741,988 |

### (b) Share award

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 any selected employee under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company. Vesting of 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 from time to time.

During the year, the Company acquired 2,274,000 of its own shares on the Stock Exchange for the Share Award Scheme. The total amount paid to acquire these shares was HK$5,343,000 and has been deducted from the shareholders' equity. During the year ended 31 March 2017, 222,721 shares of the Company were issued to Share Award Scheme in relation to scrip dividend.

## 23 Share capital (continued)

### (b) Share award (continued)

Movements in the number of shares awarded:

| | Number of awarded shares year ended 31 March 2017 | 2016 |
|---|---|---|
| At beginning of the year | 1,100,000 | 1,220,000 |
| Awarded (Note) | 2,782,000 | 220,000 |
| Vested | (2,595,000) | (30,000) |
| Lapsed | (567,000) | (310,000) |
| At end of the year | 720,000 | 1,100,000 |

Note: Average fair value per share was HK$3.35 (2016: HK$2.73).

Details of the awarded shares outstanding as at 31 March 2017 were set out as follows:

| | | | Number of awarded shares | | | | |
|---|---|---|---|---|---|---|---|
| Date of grant | Average fair value per share (HK$) | Vesting period* | Outstanding as at 1 April 2016 | Awarded during the year | Vested during the year | Lapsed during the year | Outstanding as at 31 March 2017 |
| 30 Sep 2014 | 5.32 | 30 Sep 2014 to 30 Sep 2017 | 520,000 | – | (165,000) | (190,000) | 165,000 |
| 28 Nov 2014 | 5.83 | 28 Nov 2014 to 28 Nov 2017 | 200,000 | – | (75,000) | (50,000) | 75,000 |
| 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 | 120,000 | – | (60,000) | – | 60,000 |
| 31 Jul 2015 | 3.48 | 31 Jul 2015 to 31 Jul 2018 | 50,000 | – | – | – | 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) | – |
| 30 Jun 2016 | 3.04 | 30 Jun 2016 to 30 Jun 2019 | – | 250,000 | – | – | 250,000 |
| 29 Jul 2016 | 3.38 | 29 Jul 2016 to 29 Jul 2019 | – | 2,327,000 | (2,090,000) | (167,000) | 70,000 |
| 18 Aug 2016 | 3.32 | 18 Aug 2016 to 31 Mar 2017 | – | 200,000 | (200,000) | – | – |
| 20 Feb 2017 | 3.41 | 20 Feb 2017 to 31 Mar 2017 | – | 5,000 | (5,000) | – | – |
| | | | 1,100,000 | 2,782,000 | (2,595,000) | (567,000) | 720,000 |

* The period during which all the specific vesting conditions of the awarded shares are to be satisfied.

## 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$'000 | Translation reserve HK$'000 | Retained earnings HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| At 1 April 2016 | 786,189 | (8,178) | 11,783 | 64,009 | 46 | (41,104) | 1,186,328 | 1,999,073 |
| Profit for the year | – | – | – | – | – | – | 326,705 | 326,705 |
| Other comprehensive loss: | | | | | | | | |
| Actuarial gains on retirement benefit obligations | – | – | – | – | – | – | 2,593 | 2,593 |
| Cash flow hedges, net of tax | – | – | – | – | 87 | – | – | 87 |
| Currency translation differences of foreign subsidiaries recorded in translation reserve | – | – | – | – | – | (21,576) | – | (21,576) |
| Total comprehensive income for the year | – | – | – | – | 87 | (21,576) | 329,298 | 307,809 |
| Share Award Scheme: | | | | | | | | |
| Value of employee services | – | – | – | 8,377 | – | – | – | 8,377 |
| Shares purchased for Share Award Scheme (Note 23(b)) | – | (5,343) | – | – | – | – | – | (5,343) |
| Vesting of shares under Share Award Scheme | – | 9,576 | – | (9,429) | – | – | (147) | – |
| Employee share option scheme: | | | | | | | | |
| Value of employee services | – | – | – | 840 | – | – | – | 840 |
| Lapse of share options | – | – | – | (1,258) | – | – | 1,258 | – |
| Issue of shares upon scrip dividend of 2015/16 final and special dividends (Note 23) | 192,424 | – | – | – | – | – | – | 192,424 |
| Issue of shares upon scrip dividend of 2016/17 interim and special dividends (Note 23) | 102,104 | – | – | – | – | – | – | 102,104 |
| Unclaimed dividends forfeited | – | – | – | – | – | – | 274 | 274 |
| Dividends: | | | | | | | | |
| 2015/16 final and special dividends | – | – | – | – | – | – | (419,359) | (419,359) |
| 2016/17 interim dividend | – | – | – | – | – | – | (148,043) | (148,043) |
| 2016/17 special dividend | – | – | – | – | – | – | (118,434) | (118,434) |
| Total transactions with owners, recognised directly in equity | 294,528 | 4,233 | – | (1,470) | – | – | (684,451) | (387,160) |
| At 31 March 2017 | 1,080,717 | (3,945) | 11,783 | 62,539 | 133 | (62,680) | 831,175 | 1,919,722 |

## 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$'000 | Translation reserve HK$'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 obligations | – | – | – | – | – | – | (3,241) | (3,241) |
| Cash flow hedges, net of tax | – | – | – | – | 61 | – | – | 61 |
| Currency translation differences of foreign subsidiaries recorded in translation reserve | – | – | – | – | – | (19,246) | – | (19,246) |
| Total comprehensive income for the year | – | – | – | – | 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 options | – | – | – | (2,008) | – | – | 2,008 | – |
| Issue of shares upon scrip dividend of 2015/16 interim and special dividends (Note 23) | 110,554 | – | – | – | – | – | – | 110,554 |
| Unclaimed dividends forfeited | – | – | – | – | – | – | 198 | 198 |
| Dividends: | | | | | | | | |
| 2014/15 final and special dividends | – | – | – | – | – | – | (412,479) | (412,479) |
| 2015/16 interim dividend | – | – | – | – | – | – | (142,234) | (142,234) |
| 2015/16 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 |

## 25 Cash generated from operations

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Profit for the year | 326,705 | 383,470 |
| Adjustments for: | | |
| – Income tax expense | 78,693 | 86,985 |
| – Depreciation of property, plant and equipment | 102,977 | 123,291 |
| – Impairment of property, plant and equipment | 10,423 | 17,249 |
| – Write-off of property, plant and equipment | 1,979 | 2,667 |
| – Provision for slow moving inventories and shrinkage | 32,075 | 85,254 |
| – Gains on disposal of property, plant and equipment | (315) | (4,257) |
| – Share-based payment | 9,217 | 5,738 |
| – Finance income | (10,105) | (9,380) |
| | 551,649 | 691,017 |
| Changes in working capital | | |
| – Inventories | (160,590) | 183,073 |
| – Trade receivables | 12,074 | (27,658) |
| – Other receivables, deposits and prepayments | 3,648 | 54,181 |
| – Trade payables | 52,418 | (234,701) |
| – Other payables, accruals and retirement benefit obligations | (19,994) | (11,905) |
| Cash generated from operations | 439,205 | 654,007 |

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Net book amount (Note 12) | – | 248 |
| Gains on disposal of property, plant and equipment | 315 | 4,257 |
| Proceeds from disposal of property, plant and equipment | 315 | 4,505 |

## 26 Commitments

### (a) Capital commitments in respect of acquisition of property, plant and equipment

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Contracted but not provided for | 13,506 | 6,626 |
| Authorised but not contracted | 194,273 | 132,580 |
| | 207,779 | 139,206 |

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.

As at 31 March 2017, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Land and buildings | | |
| Within one year | 823,776 | 858,100 |
| In the second to fifth year inclusive | 868,817 | 676,324 |
| After the fifth year | 799 | 1,387 |
| | 1,693,392 | 1,535,811 |

### (c) Operating leases rental receivables

As at 31 March 2017, the Group had total future aggregate minimum lease payments receivable under non-cancellable operating leases as follows:

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Land and buildings | | |
| Within one year | 27,270 | 42,190 |
| In the second to fifth year inclusive | 76,160 | 1,890 |
| | 103,430 | 44,080 |

## 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:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Basic salaries, housing allowances, other allowances and benefits-in-kind | 43,327 | 43,298 |
| Retirement benefit costs | 1,969 | 2,139 |
| Share-based payment | 7,412 | 2,554 |
| | 52,708 | 47,991 |

### (b) Interest of directors

There are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities (2016: 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 (2016: Nil).

## 28 Principal subsidiaries

Particulars of the principal subsidiaries at 31 March 2017:

| Name | Place of incorporation/ establishment and kind of legal entity | Principal activities and place of operation (if different from place of incorporation) | Particulars of issued share capital/paid up share capital | Indirect interest held |
|---|---|---|---|---|
| Astute Approach Limited | British Virgin Islands, limited liability company | Investment holding | Ordinary US$7,300,001 | 100% |
| Base Sun Investment Limited | Hong Kong, limited liability company | Property holding | Ordinary HK$100<br>Deferred HK$2 | 100% |
| Bethany Services Limited | British Virgin Islands, limited liability company | Investment holding | Ordinary US$198,001 | 100% |

## 28 Principal subsidiaries (continued)

Particulars of the principal subsidiaries at 31 March 2017: (continued)

| Name | Place of incorporation/ establishment and kind of legal entity | Principal activities and place of operation (if different from place of incorporation) | Particulars of issued share capital/paid up share capital | Indirect interest held |
|---|---|---|---|---|
| Cosmic Rosy Limited | British Virgin Islands, limited liability company | Investment holding | Ordinary US$1 | 100% |
| Cyber Colors Limited | British Virgin Islands, limited liability company | Holding of intellectual property rights | Ordinary US$1 | 100% |
| Docile Company Limited | British Virgin Islands, limited liability company | Holding of intellectual property rights | Ordinary US$2 | 100% |
| Dragon Gold Investments Limited | Hong Kong, limited liability company | Trading of cosmetic and skin care products | Ordinary HK$2 | 100% |
| Dragonstar International Limited | British Virgin Islands, limited liability company | Investment holding | Ordinary US$1 | 100% |
| Elegance Trading (Shanghai) Company Limited (Note 1) | PRC, limited liability company | Wholesale of cosmetic products | HK$10,000,000 | 100% |
| Eleanor International Limited | British Virgin Islands, limited liability company | Holding of intellectual property rights | Ordinary US$1 | 100% |
| Ever Bloom Development Limited | Hong Kong, limited liability company | Investment holding | Ordinary HK$1 | 100% |
| Fielding Group Limited | British Virgin Islands, limited liability company | Investment holding | Ordinary US$2 | 100% |
| Forever Best International Limited | British Virgin Islands, limited liability company | Investment holding | Ordinary US$1 | 100% |
| Gig Limited | Samoa, limited liability company | Holding of intellectual property rights | Ordinary US$1 | 100% |
| Hadatuko Limited | British Virgin Islands, limited liability company | Holding of intellectual property rights | Ordinary US$1 | 100% |
| Highmove Enterprises Limited | British Virgin Islands, limited liability company | Investment holding | Ordinary US$1 | 100% |
| Hong Kong Sa Sa (M) Sdn. Bhd. | Malaysia, limited liability company | Trading and retailing of cosmetic products | Ordinary RM20,000,000 | 100% |
| Léa Limited | Samoa, limited liability company | Holding of intellectual property rights | Ordinary US$1 | 100% |
| Matford Trading Limited | Hong Kong, limited liability company | Property holding | Ordinary HK$100 Deferred HK$6 | 100% |

## 28 Principal subsidiaries (continued)

Particulars of the principal subsidiaries at 31 March 2017: (continued)

| Name | Place of incorporation/ establishment and kind of legal entity | Principal activities and place of operation (if different from place of incorporation) | Particulars of issued share capital/paid up share capital | Indirect interest held |
|---|---|---|---|---|
| Methode Swiss Limited | British Virgin Islands, limited liability company | Holding of intellectual property rights | Ordinary US$1 | 100% |
| Netcom Holdings Limited | British Virgin Islands, limited liability company | Investment holding | Ordinary US$50,000 | 100% |
| New Image International Limited | British Virgin Islands, limited liability company | Investment holding | Ordinary US$6 | 100% |
| Nouveau International Limited | British Virgin Islands, limited liability company | Investment holding | Ordinary US$1 | 100% |
| Rosy Sino Limited | British Virgin Islands, limited liability company | Holding of intellectual property rights | Ordinary US$1 | 100% |
| Sa Sa Boutique Limited | Hong Kong, limited liability company | Investment holding | Ordinary HK$2 | 100% |
| Sa Sa Cosmetic (China) Company Limited (Note 2) | PRC, limited liability company | Trading and retailing of cosmetic products | HK$205,000,000 | 100% |
| Sa Sa Cosmetic Company Limited | Hong Kong, limited liability company | Retailing and wholesaling of cosmetic products | Ordinary HK$100 Deferred HK$2 | 100% |
| Sa Sa Cosmetic Co. (S) Pte. Ltd. | Singapore, limited liability company | Trading and retailing of cosmetic products | Ordinary S$19,500,000 | 100% |
| Sa Sa dot Com Limited | Hong Kong, limited liability company | E-commerce | Ordinary HK$1,000,000 | 100% |
| Sa Sa Development Limited | Hong Kong, limited liability company | Property holding | Ordinary HK$100 | 100% |
| Sa Sa Health Food Limited | British Virgin Islands, limited liability company | Investment holding | Ordinary US$50,000 | 100% |
| Sa Sa Investment (HK) Limited | Hong Kong, limited liability company | Property holding | Ordinary HK$100 Deferred HK$2 | 100% |
| Sa Sa Investment Limited | British Virgin Islands, limited liability company | Investment holding | Ordinary US$1 | 100% |
| Sa Sa International (Taiwan) Limited | British Virgin Islands, limited liability company | Trading and retailing of cosmetic products in Taiwan | Ordinary US$6,880,000 | 100% |
| Sa Sa Making Life Beautiful Charity Fund Limited | Hong Kong, limited liability company | Charitable activities | Limited by guarantee | 100% |

## 28 Principal subsidiaries (continued)

Particulars of the principal subsidiaries at 31 March 2017: (continued)

| Name | Place of incorporation/ establishment and kind of legal entity | Principal activities and place of operation (if different from place of incorporation) | Particulars of issued share capital/paid up share capital | Indirect interest held |
|---|---|---|---|---|
| Sa Sa Nominees Limited | Hong Kong, limited liability company | Investment holding | Ordinary HK$2 | 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 | Ordinary US$2 | 100% |
| Sasatinnie Limited | British Virgin Islands, limited liability company | Holding of intellectual property rights | Ordinary US$1 | 100% |
| SkinPeptoxyl Limited | British Virgin Islands, limited liability company | Holding of intellectual property rights | Ordinary US$1 | 100% |
| Soo Beauté Limited | British Virgin Islands, limited liability company | Holding of intellectual property rights | Ordinary US$1 | 100% |
| S.P. Laboratories S.A. | Switzerland, limited liability company | Holding of intellectual property rights | Bearer CHF555,000 | 100% |
| Swiss Balance Limited | British Virgin Islands, limited liability company | Investment holding | Ordinary US$1 | 100% |
| Swiss Rituel Limited | British Virgin Islands, limited liability company | Holding of intellectual property rights | Ordinary US$1 | 100% |
| Suisse Programme Limited | Gibraltar, limited liability company | Holding of intellectual property rights | Ordinary £100 | 100% |
| Whitfield Enterprises Limited | British Virgin Islands, limited liability company | Investment holding | Ordinary US$2 | 100% |
| 鄭州莎莎電子商務有限公司 (Note 3) | PRC, limited liability company | Import and export of goods | Nil (Note 3) | 100% |

Notes:

1) Elegance Trading (Shanghai) Company Limited is a wholly-owned foreign enterprise in the PRC.

2) Sa Sa Cosmetic (China) Company Limited is a wholly-owned foreign enterprise in the PRC.

3) 鄭州莎莎電子商務有限公司 is a wholly-owned foreign enterprise in the PRC. As at 31 March 2017, there was no paid up share capital. The remaining registered capital not yet paid up amounted to RMB500,000.

## 29 Statement of financial position and reserve movement of the Company

### Statement of financial position of the Company

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| ASSETS | | |
| Non-current assets | | |
| Investments in and amounts due from subsidiaries | 1,547,362 | 1,885,800 |
| Other assets | 750 | 750 |
| | 1,548,112 | 1,886,550 |
| Current assets | | |
| Other receivables, deposits and prepayments | 1,679 | 987 |
| Time deposits | 415,752 | 136,224 |
| Cash and cash equivalents | 1,988 | 122,494 |
| | 419,419 | 259,705 |
| LIABILITIES | | |
| Current liabilities | | |
| Other payables and accruals | 1,632 | 1,644 |
| **Net current assets** | 417,787 | 258,061 |
| **Total assets less current liabilities** | 1,965,899 | 2,144,611 |
| EQUITY | | |
| Capital and reserves | | |
| Share capital | 299,444 | 289,213 |
| Reserves | 1,666,455 | 1,855,398 |
| Total equity | 1,965,899 | 2,144,611 |

On behalf of the Board

**KWOK Siu Ming Simon**
*Director*

**KWOK LAW Kwai Chun, Eleanor**
*Director*

## 29 Statement of financial position and reserve movement 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 2016 | 786,189 | (8,178) | 11,783 | 64,009 | 1,001,595 | 1,855,398 |
| Profit and total comprehensive income for the year | – | – | – | – | 198,217 | 198,217 |
| Share Award Scheme: | | | | | | |
| Value of employee services | – | – | – | 8,377 | – | 8,377 |
| Shares purchased for Share Award Scheme | – | (5,343) | – | – | – | (5,343) |
| Vesting of shares under Share Award Scheme | – | 9,576 | – | (9,429) | (147) | – |
| Employee share option scheme: | | | | | | |
| Value of employee services | – | – | – | 840 | – | 840 |
| Lapse of share options | – | – | – | (1,258) | 1,258 | – |
| Issue of shares upon scrip dividend of 2015/16 final and special dividends (Note 23) | 192,424 | – | – | – | – | 192,424 |
| Issue of shares upon scrip dividend of 2016/17 interim and special dividends (Note 23) | 102,104 | – | – | – | – | 102,104 |
| Unclaimed dividends forfeited | – | – | – | – | 274 | 274 |
| Dividends: | | | | | | |
| 2015/16 final and special dividends | – | – | – | – | (419,359) | (419,359) |
| 2016/17 interim dividend | – | – | – | – | (148,043) | (148,043) |
| 2016/17 special dividend | – | – | – | – | (118,434) | (118,434) |
| Total transactions with owners, recognised directly in equity | 294,528 | 4,233 | – | (1,470) | (684,451) | (387,160) |
| At 31 March 2017 | 1,080,717 | (3,945) | 11,783 | 62,539 | 515,361 | 1,666,455 |

## 29 Statement of financial position and reserve movement of the Company (continued)

### Reserve movement of the Company (continued)

| | Share premium HK$'000 | Shares held under the Share Award Scheme HK$'000 | Capital redemption reserve HK$'000 | Employee share-based compensation reserve HK$'000 | Retained earnings HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| At 1 April 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 options | – | – | – | (2,008) | 2,008 | – |
| Issue of shares upon scrip dividend of 2015/16 interim and special dividends (Note 23) | 110,554 | – | – | – | – | 110,554 |
| Unclaimed dividends forfeited | – | – | – | – | 198 | 198 |
| Dividends: | | | | | | |
| 2014/15 final and special dividends | – | – | – | – | (412,479) | (412,479) |
| 2015/16 interim dividend | – | – | – | – | (142,234) | (142,234) |
| 2015/16 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 |

# GLOSSARY

| | |
|---|---|
| AGM(s) | Annual general meetings of the Company |
| Board | Board of directors of the Company |
| CEO | Chief Executive Officer of the Company |
| CFO | Chief Financial Officer of the Company |
| CG Code | Corporate Governance Code and Corporate Governance Report, Appendix 14 of the Listing Rules |
| Code Provision(s) | Code Provisions in the CG Code |
| Company, Sasa, Sa Sa, Sa Sa Group, Group, we or us | Sa Sa International Holdings Limited, and, except where the context indicates otherwise, its subsidiaries |
| Corporate Communication(s) | Any document issued or to be issued by the Company for the information or action of holders of any securities of the Company, including but not limited to annual and interim reports, notice of meeting, listing document, circular and proxy form |
| Director(s) | Director(s) of the Company, including all executive, non-executive and independent non-executive directors |
| ERM | Enterprise Risk Management |
| HKExnews website | http://www.hkexnews.hk |
| Hong Kong, HK or HKSAR | The Hong Kong Special Administrative Region of the People's Republic of China |
| Listing Rules | Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| Macau | The Macau Special Administrative Region of the People's Republic of China |
| Mainland or Mainland China | The People's Republic of China excluding Hong Kong, Macau and Taiwan |
| Model Code | Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 of the Listing Rules |
| PRC | The People's Republic of China |
| PwC, auditor, external auditor or independent auditor | PricewaterhouseCoopers |

| | |
|---|---|
| SFO | Securities and Futures Ordinance, Cap.571 |
| Share(s) | Share(s) of the Company |
| Shareholder(s) | Shareholder(s) of the Company |
| Stock Exchange | The Stock Exchange of Hong Kong Limited |
| The Company's website | http://corp.sasa.com |

This Annual Report 2016/2017 is available in both English and Chinese, and in printed and electronic forms. Shareholders who (i) have received either the English or the Chinese version of the Annual Report and wish to have a copy in the language different from the one that has been received; or (ii) wish to change the choice of means of receipt or language of the Corporate Communications to be received from the Company in future, may request to do so by completing and returning the Change Request Form (which may be downloaded from the Company's website) by post or by hand to Tricor Abacus Limited ("Tricor"), the Company's branch share registrar and transfer office in Hong Kong. Tricor's address is at Level 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.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Shares of Sa Sa International Holdings Limited are traded on
The Stock Exchange of Hong Kong Limited (Stock Code: 178)