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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 178)

Annual Results for the year ended 31 March 2019
Dividends and Closure of Books

Highlights

- The Group's turnover for the continuing operations increased by 4.5% from HK$8,017.6 million last year to HK$8,375.9 million
- Turnover in Hong Kong and Macau markets increased by 4.9% to HK$7,091.8 million
- The Group's retail outlets for the continuing operations increased to 274 from 265 last year
- Profit for the year was HK$470.8 million, an increase of 7.0% over the HK$440.1 million achieved in the last financial year
- Excluding the loss making retail business in Taiwan, which was discontinued in the last financial year, profit for the year from continuing operations increased by 1.5% to HK$472.1 million
- Basic earnings per share amounted to 15.4 HK cents as compared to 14.6 HK cents in the previous year
- The board of directors proposed a final dividend of 9.0 HK cents (2018: 11.0* HK cents) per share, payable in cash with a scrip dividend alternative. Together with the interim dividend of 7.0 HK cents (2018: 3.5 HK cents) per share, total annual dividend amounted to 16.0 HK cents (2018: 14.5* HK cents) per share

* Excluding the special dividend of 3.0 HK cents per share in commemoration of the 40th anniversary of the Group.

The board of directors of Sa Sa International Holdings Limited (the "**Company**") has pleasure in presenting the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2019 with comparative figures for the previous year as follows. The annual results have been reviewed by the audit committee of the Company.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2019

	Note	**2019** **HK$'000**	2018 HK$'000
Continuing operations			
Turnover	4	**8,375,900**	8,017,613
Cost of sales	6	**(4,958,102)**	(4,643,747)
Gross profit		**3,417,798**	3,373,866
Other income	5	**96,062**	93,211
Selling and distribution costs	6	**(2,655,732)**	(2,608,162)
Administrative expenses	6	**(322,338)**	(315,474)
Other gains - net		**6,988**	5,392
Operating profit		**542,778**	548,833
Finance income		**20,670**	11,778
Profit before income tax		**563,448**	560,611
Income tax expense	7	**(91,380)**	(95,368)
Profit for the year from continuing operations		**472,068**	465,243
Loss for the year from discontinued operation	8	**(1,316)**	(25,123)
Profit for the year attributable to owners of the Company		**470,752**	440,120
Earnings per share from continuing operations attributable to owners of the Company for the year (expressed in HK cents per share)	9		
Basic		**15.4**	15.4
Diluted		**15.4**	15.4
Earnings per share for profit attributable to owners of the Company for the year (expressed in HK cents per share)	9		
Basic		**15.4**	14.6
Diluted		**15.4**	14.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 HK$'000	2018 HK$'000
Profit for the year		**470,752**	440,120
Other comprehensive (loss)/income			
Item that will not be reclassified subsequently to profit or loss			
Actuarial (loss)/ gains on retirement benefit obligations		**(2,016)**	3,707
Items that may be reclassified to profit or loss			
Cash flow hedges, net of tax		**(472)**	258
Currency translation differences of foreign subsidiaries recorded in translation reserve		**(20,851)**	41,139
Other comprehensive (loss)/income for the year, net of tax		**(23,339)**	45,104
Total comprehensive income for the year attributable to owners of the Company		**447,413**	485,224

	Note	2019 HK$'000	2018 HK$'000
Total comprehensive income for the year attributable to owners of the Company arises from:			
Continuing operations		**450,395**	508,142
Discontinued operation	8	**(2,982)**	(22,918)
		447,413	485,224

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Note	2019	2018
ASSETS		**HK$'000**	HK$'000
Non-current assets			
Property, plant and equipment		**351,100**	340,166
Rental deposits, prepayments and other assets		**162,225**	151,256
Deferred tax assets		**4,808**	5,276
		518,133	496,698
Current assets			
Inventories		**1,413,726**	1,337,263
Trade receivables	11	**112,701**	145,417
Other receivables, deposits and prepayments		**221,274**	232,310
Time deposits		**589,512**	915,802
Cash and cash equivalents		**551,134**	449,558
		2,888,347	3,080,350
LIABILITIES			
Current liabilities			
Trade payables	12	**471,499**	619,702
Other payables and accruals		**328,851**	357,109
Income tax payable		**63,190**	60,670
		863,540	1,037,481
Net current assets		**2,024,807**	2,042,869
Total assets less current liabilities		**2,542,940**	2,539,567
Non-current liabilities			
Retirement benefit obligations		**5,643**	3,494
Deferred tax liabilities		**214**	268
Other payables		**50,475**	52,965
		56,332	56,727
Net assets		**2,486,608**	2,482,840
EQUITY			
Capital and reserves			
Share capital		**309,560**	303,885
Reserves		**2,177,048**	2,178,955
Total equity		**2,486,608**	2,482,840

Notes:

1. **Basis of preparation**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2. **Changes in accounting policies and disclosures**

(i) Amendments to standards and interpretation mandatory for the first time for the financial year beginning 1 April 2018 and were early adopted in prior years

- HKAS 28 (Amendment), "Investments in Associates and Joint Ventures"
- HKFRS 2 (Amendment), "Classification and Measurement of Share-based Payment Transactions"
- HK (IFRIC) 22, "Foreign Currency Transactions and Advance Consideration"

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

- HKFRS 1 (Amendment), "First Time Adoption of HKFRS"
- HKFRS 9, "Financial Instruments"
- HKFRS 15, "Revenue from Contracts with Customers"
- HKFRS 15 (Amendment), "Clarification to HKFRS 15"

The impact of the adoption of HKFRS 9, "Financial Instruments" and HKFRS 15, "Revenue from Contracts with Customers" are disclosed below. The other amendments to standard did not have any material impact on the preparation of the consolidated financial statements.

HKFRS 9, "Financial Instruments"

(i) Impact of adoption

HKFRS 9, "Financial Instruments" replaces the provisions of HKAS 39, "Financial Instruments: Recognition and Measurement" that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The impacts of the adoption of HKFRS 9 are as follows:

Classification and measurement
On 1 April 2018, the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into appropriate HKFRS 9 categories. The Group's financial assets classified as loans and receivables, including "other receivables and deposits", "trade receivables", "time deposits" and "cash and cash equivalents", meet the conditions for classification at amortised costs under HKFRS 9. Therefore, there were no changes to the classification and measurement of financial instruments.

2. Changes in accounting policies and disclosures (continued)

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

HKFRS 9, "Financial Instruments" (continued)

(i) Impact of adoption (continued)

Impairment of financial assets
The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. The Group's financial assets are subject to the new ECL model of this new HKFRS.

The Group has below types of financial assets that are subject to HKFRS 9's new ECL model:

- Trade receivables
- Other receivables and deposits
- Time deposits
- Cash at bank and short-term bank deposits

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. There is no impact of the change in impairment methodology on the Group's retained earnings and equity.

Trade receivables

The Group has applied the simplified approach and has calculated ECLs based on lifetime ECL. The Group has reviewed the calculation of provision which is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The identified impairment loss was immaterial.

Other receivables and deposits

Other receivables and deposits at amortised cost are considered to be low risk, and therefore the loss allowance is determined as 12 months ECL. The resulted increase of loss allowance for deposits and other receivables on 1 April 2018 was immaterial. The Group assessed for their impairment based on 12-month ECL: 12-month ECLs are the portion of lifetime ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the asset is less than 12 months). However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

While time deposits, cash at bank and short-term bank deposits are also subject to impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Hedge accounting

The new hedge accounting rules aligns the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be necessary to be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group has concluded that all current hedge arrangements are still eligible for hedge accounting under HKFRS 9 and there is no significant impact to the consolidated financial statements.

2. Changes in accounting policies and disclosures (continued)

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

HKFRS 15, "Revenue from Contracts with Customers"

HKFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the Group's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The adoption of HKFRS 15 has resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transition provisions in HKFRS 15, the Group elected to use a modified retrospective approach which allows the Group to recognise the accumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. Thus, the comparative figures have not been restated.

The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and related interpretations. The impacts of the adoption of HKFRS 15 are as follows:

Presentation of contract liabilities
Certain "customers' deposits and temporary receipts" which were previously included in other payables and accruals amounting to HK$19,400,000 as at 1 April 2018, are now included under contract liabilities to reflect the terminology of HKFRS 15.

Timing of revenue recognition
The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sale of goods.

2. Changes in accounting policies and disclosures (continued)

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

- HKAS 1 (Amendment), "Amendments to Definition of Material" (effective for annual periods beginning on or after 1 April 2020). The amendment uses a consistent definition of materiality throughout HKFRS and the Conceptual Framework for Financial Reporting, clarifies the explanation of the definition of material, and incorporates some of the guidance in HKAS 1 about immaterial information.

- HKFRS 3 (Amendment), "Definition of a Business" (effective for annual periods beginning on or after 1 April 2020). The amendment revises the definition of business which an acquisition would have an input and substantive process that together significantly contribute to the ability to create outputs. This amendment also provides a framework to evaluate when an input and a substantive process are present.

- HKFRS 9 (Amendment), "Prepayment Features with Negative Compensation" (effective for annual periods beginning on or after 1 April 2019). The narrow-scope amendments made to HKFRS 9 Financial Instruments in December 2017 enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model.

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

HKFRS 16, "Leases"

(i) Nature of change

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

The accounting for lessors will not significantly change.

(ii) Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK$1.5 billion. Of these commitments, approximately HK$2.2 million relate to short-term leases which will be recognised on a straight-line basis as expense in the profit or loss in the year ending 31 March 2020. For the remaining operating lease commitments, the Group expects to recognise both right-of-use assets and lease liabilities of approximately HK$1.7 billion on 1 April 2019 (before the adjustment of deferred tax). In addition, the application of new requirements may result in changes in measurement, presentation and disclosure of leases.

2. Changes in accounting policies and disclosures (continued)

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

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

  HKFRS 16, "Leases" (continued)

  (iii) Date of adoption by the Group

  HKFRS 16 is mandatory for financial years starting on or after 1 April 2019. The new standard is not expected to be applied by the Group until the financial year ending 31 March 2020. The Group intends to apply the modified retrospective approach and will recognise the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 April 2019 and will not restate comparative information. Right-of-use assets will be measured on transition as if the new rules had always been applied.

Apart from aforementioned HKFRS 16, the directors of the Company are in the process of assessing the financial impact of the adoption of the above amendments to standards. The directors of the Company will adopt the amendments to standards when it is appropriate to do so.

3. Estimates

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

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

4. Segment information

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

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

Business reportable segments identified are Hong Kong & Macau, Mainland China, E-commerce and All other segments. All other segments refer to markets in Singapore and Malaysia.

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

4. **Segment information (continued)**

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

	For the year ended 31 March 2019				
	Hong Kong & Macau HK$'000	**Mainland China HK$'000**	**E-commerce HK$'000**	**All other segments HK$'000**	**Total HK$'000**
Turnover	**7,091,830**	**287,762**	**391,829**	**604,479**	**8,375,900**
Segment results	**512,230**	**(16,086)**	**(26,461)**	**2,385**	**472,068**
Other information					
Capital expenditure	**99,603**	**4,931**	**662**	**26,380**	**131,576**
Finance income	**18,570**	**209**	**80**	**1,811**	**20,670**
Income tax expense/ (credit)	**93,199**	**-**	**(9,946)**	**8,127**	**91,380**
Depreciation	**81,407**	**6,439**	**1,664**	**21,775**	**111,285**
Provision for slow moving inventories and shrinkage	**21,821**	**465**	**5,023**	**6,747**	**34,056**
Impairment of property, plant and equipment	**3,678**	**2,291**	**-**	**-**	**5,969**

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

4. Segment information (continued)

	Hong Kong & Macau HK$'000	Mainland China HK$'000	E-commerce HK$'000	All other segments HK$'000	Total HK$'000
At 31 March 2019					
Non-current assets	**446,086**	**11,819**	**6,935**	**53,293**	**518,133**
Current assets	**2,367,208**	**137,686**	**115,494**	**267,959**	**2,888,347**
Total assets as per consolidated statement of financial position					**3,406,480**
At 31 March 2018					
Non-current assets	424,177	18,257	2,763	51,501	496,698
Current assets	2,472,131	140,176	132,316	261,375	3,005,998
Total segment assets					3,502,696
Discontinued operation					74,352
Total assets as per consolidated statement of financial position					3,577,048

5. Other income

	2019 HK$'000	2018 HK$'000
Slide display rental income	**65,479**	60,894
Sub-lease income	**30,583**	32,317
	96,062	93,211

6. Expenses by nature

	2019 HK$'000	2018 HK$'000
Cost of inventories sold	**4,924,046**	4,609,105
Employee benefit expenses (including directors' emoluments)	**1,170,658**	1,132,105
Operating lease rentals in respect of land and buildings		
- minimum lease payments	**895,822**	890,363
- contingent rent	**48,061**	62,583
Advertising and promotion expenses	**114,441**	115,118
Depreciation of property, plant and equipment	**111,285**	97,725
Building management fees, government rent and rates	**108,554**	110,299
Transportation, storage and delivery charges	**60,941**	68,077
Utilities and telecommunication	**51,796**	54,079
Repair and maintenance	**49,507**	39,416
Provision for slow moving inventories and shrinkage	**34,056**	34,642
Sub-lease expenses	**28,946**	30,507
Impairment of property, plant and equipment	**5,969**	3,290
Auditors' remuneration		
- audit services	**3,672**	3,522
- non-audit services	**1,713**	2,217
Donations	**4,960**	4,696
Write-off of property, plant and equipment	**991**	3,180
Others	**320,754**	306,459
	7,936,172	7,567,383
Representing:		
Cost of sales	**4,958,102**	4,643,747
Selling and distribution costs	**2,655,732**	2,608,162
Administrative expenses	**322,338**	315,474
	7,936,172	7,567,383

7. Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2018: 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.

	2019	2018
	HK$'000	HK$'000
Current tax:		
Hong Kong profits tax		
Current	**62,580**	55,625
Over-provision in previous years	**(508)**	(549)
Overseas taxation		
Current	**28,992**	32,710
Under/(over)-provision in previous years	**158**	(21)
Total current tax	**91,222**	87,765
Deferred tax:		
Origination and reversal of temporary differences	**158**	8,964
Income tax expense	**91,380**	96,729
Income tax expense is attributable to:		
Profit from continuing operations	**91,380**	95,368
Loss from discontinued operation	**-**	1,361
	91,380	96,729

8. Discontinued operation

During the year ended 31 March 2018, the Group discontinued the business of retailing of cosmetic products in Taiwan. The results of the discontinued operation for the year ended 31 March 2019 and 2018 are presented below:

	2019	2018
	HK$'000	HK$'000
Turnover	**13,259**	213,161
Other income and gains-net	**18**	2,413
Cost of sales and expenses	**(14,593)**	(239,336)
Loss before income tax	**(1,316)**	(23,762)
Income tax expense	**-**	(1,361)
Loss from discontinued operation	**(1,316)**	(25,123)
Actuarial gains on retirement benefit obligation	**-**	55
Currency translation differences of foreign subsidiaries recorded in translation reserve	**(1,666)**	2,150
Total comprehensive loss from discontinued operation	**(2,982)**	(22,918)

8. Discontinued operation (continued)

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

	2019	2018
	HK$'000	HK$'000
Write-off of property, plant and equipment	**-**	4,277
Depreciation of property, plant and equipment	**-**	3,542
Impairment of property, plant and equipment	**-**	2,379
Provision for slow moving inventories and shrinkage	**-**	2,016

9. Earnings per share

From continuing operations

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

	2019	2018
	HK$'000	HK$'000
Profit from continuing operations attributable to owners of the Company	**472,068**	465,243
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the year (thousands)	**3,060,494**	3,009,172

(b) Diluted earnings per share from continuing operations is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options and shares held under the Share Award Scheme during the year. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and future service cost. For shares held under the Share Award Scheme, awarded shares granted to the employees but not yet vested as at 31 March 2019 has been included in the number of shares.

	2019	2018
	HK$'000	HK$'000
Profit from continuing operations attributable to owners of the Company	**472,068**	465,243
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the year (thousands)	**3,060,494**	3,009,172
Adjustment for share options and awarded shares (thousands)	**685**	702
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**3,061,179**	3,009,874

9. Earnings per share (continued)

From continuing and discontinued operations

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

	2019	2018
	HK$'000	HK$'000
Profit from continuing operations attributable to owners of the Company	**472,068**	465,243
Loss from discontinued operation attributable to owners of the Company	**(1,316)**	(25,123)
Profit for the purpose of basic and diluted earnings per share from continuing and discontinued operations	**470,752**	440,120

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

From discontinued operation

The basic and diluted loss per share for the discontinued operation is 0.04 HK cents per share (2018: Basic and diluted loss of 0.8 HK cents per share).

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

	2019	2018
	HK$'000	HK$'000
Loss attributable to owners of the Company from the discontinued operation	**(1,316)**	(25,123)
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the year (thousands)	**3,060,494**	3,009,172

During the year ended 31 March 2019 and 2018, diluted loss per share equals to basic loss per share as the potential ordinary shares were not included in the calculation of diluted loss per share because they are anti-dilutive.

10. Dividends

	2019 HK$'000	2018 HK$'000
Interim, paid – 7.0 HK cents (2018: 3.5 HK cents) per share	**216,454**	105,789
Final, proposed – 9.0 HK cents (2018: 11.0 HK cents) per share	**278,604**	334,368
Special, proposed – Nil (2018: 3.0 HK cents) per share	**-**	91,192
	495,058	531,349

For final dividend, scrip dividend election was offered to all shareholders. At a meeting held on 20 June 2019, the directors proposed a final dividend of 9.0 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 2020 if approved by the shareholders.

11. Trade receivables

The Group's turnover comprises mainly cash sales and credit card sales. Certain wholesale customers are granted credit terms ranging from 7 to 120 days. The ageing analysis based on invoice date of trade receivables is as follows:

	2019 HK$'000	2018 HK$'000
Within 1 month	**87,391**	106,084
1 to 3 months	**22,140**	17,694
Over 3 months	**3,170**	21,639
	112,701	145,417

The carrying amounts of trade receivables approximate their fair values.

12. Trade payables

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

	2019 HK$'000	2018 HK$'000
Within 1 month	**370,818**	475,588
1 to 3 months	**86,687**	127,437
Over 3 months	**13,994**	16,677
	471,499	619,702

The carrying amounts of trade payables approximate their fair values.

MANAGEMENT DISCUSSION & ANALYSIS

During the financial year, the Group's turnover increased by 4.5% from HK$8,017.6 million to HK$8,375.9 million for the continuing operations. Sales of retail and wholesale in Hong Kong and Macau increased by 4.9% to HK$7,091.8 million. The Group's retail outlets for the continuing operations increased from 265 last year to 274 as of 31 March 2019.

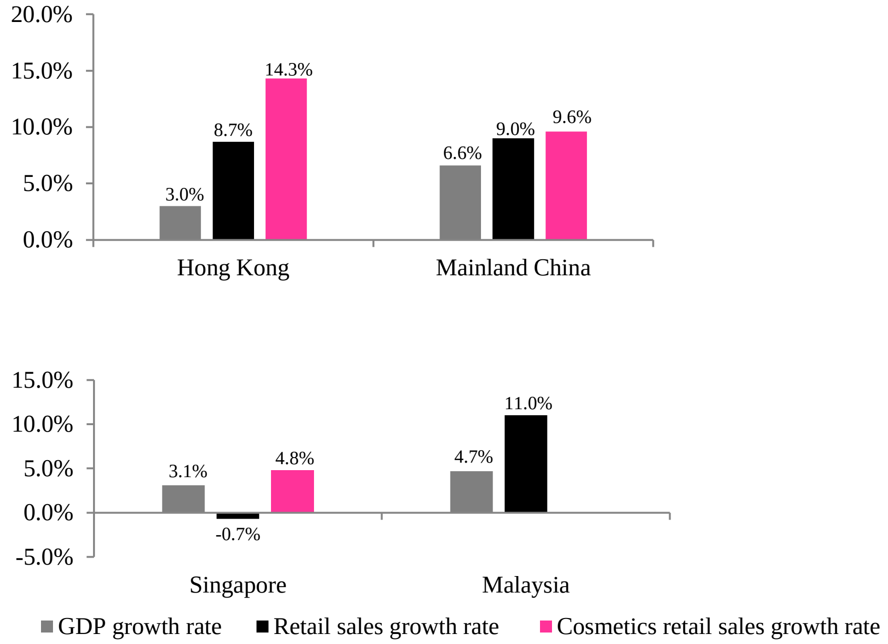
The Group's profit for the year was HK$470.8 million, an increase of 7.0% over the HK$440.1 million achieved in the last financial year. Excluding the loss making retail business in Taiwan, which was discontinued in the last financial year, profit for the year from continuing operations increased by 1.5% to HK$472.1 million. Basic earnings per share were 15.4 HK cents as compared to 14.6 HK cents in the previous year. The board of directors proposed a final dividend of 9.0 HK cents (2018: 11.0* HK cents) per share, payable in cash with a scrip dividend alternative. Together with the interim dividend of 7.0 HK cents (2018: 3.5 HK cents) per share, total annual dividend amounted to 16.0 HK cents (2018: 14.5* HK cents) per share.

The Group has been included in the Hang Seng Composite MidCap Index, FTSE World Index Series and MSCI Index Series. The Group has been a constituent member of Hang Seng Corporate Sustainability Benchmark Index and Hang Seng High Dividend Yield Index since 2011 and 2015 respectively. The Group is also an eligible stock for Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, and has been included as a constituent of some indexes under Hang Seng Stock Connect Greater Bay Area Index Series since 29 May 2019.

*Excluding the special dividend of 3.0 HK cents per share in commemoration of the 40th anniversary of the Group.

Market Overview

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



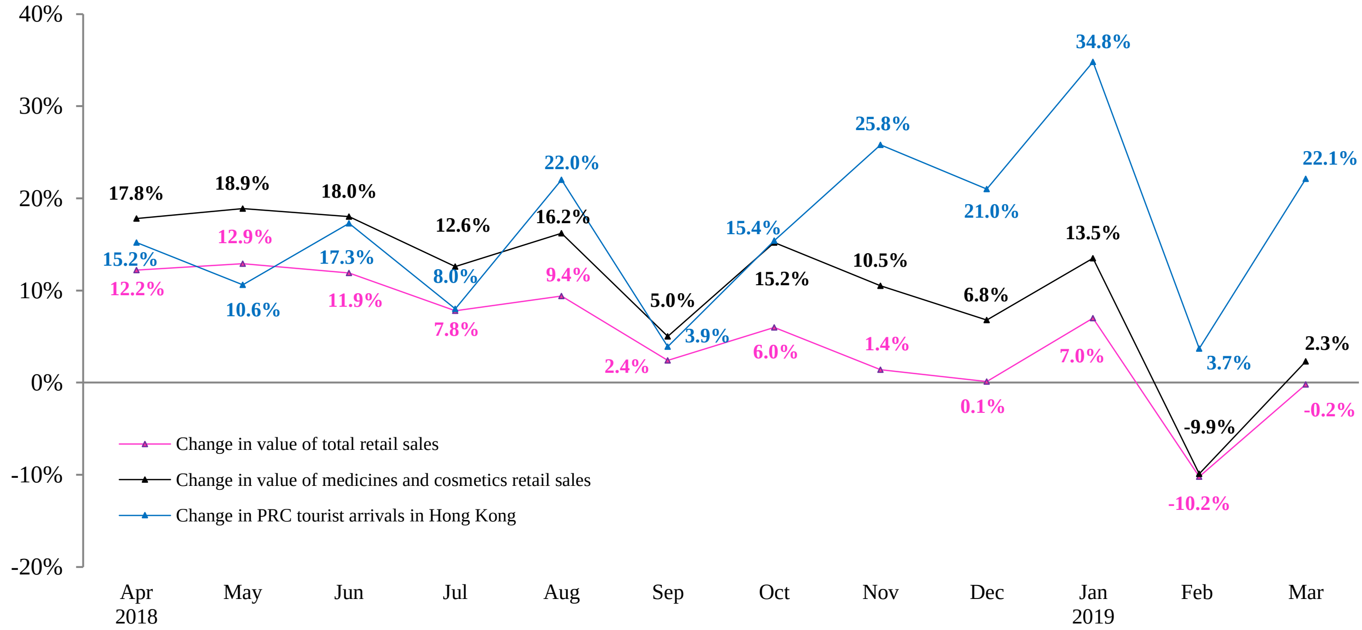
Note:

1) *There were no cosmetics retail sales statistics provided by the Malaysian Government.*

2) *All of the above data were sourced and estimated from statistics published by corresponding governments' statistics bureaus.*

3) *There are some inconsistencies in definition and survey methodology for cosmetics retail sales by different government statistics bureaus.*

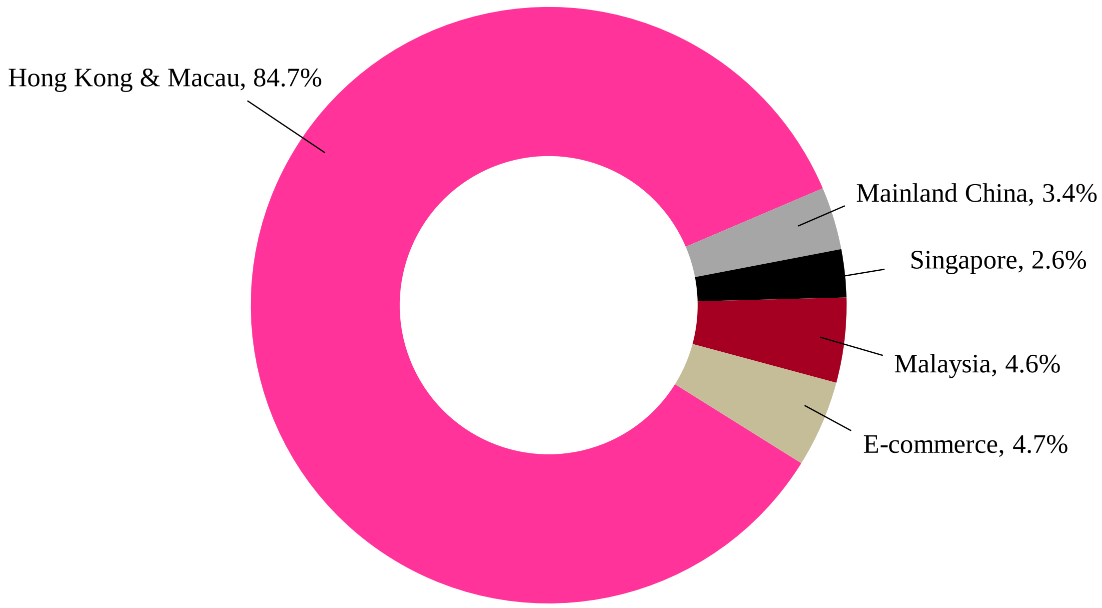
Retail Sales Performance in Hong Kong and PRC Tourist Arrivals in Hong Kong (year-on-year change)



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

Retail and Wholesale Business

FY18/19 Turnover Mix by Market

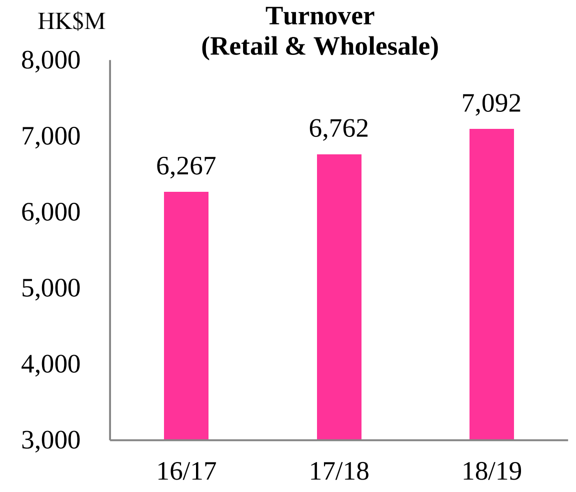


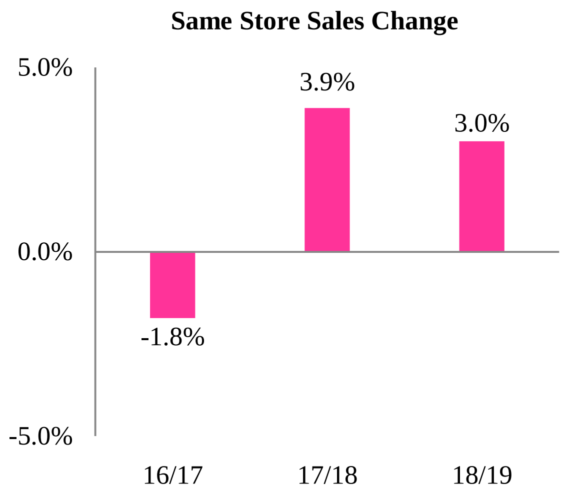
Store Network by Market

Market (Continuing operations)	As of 31 Mar 2018	Opened*	Closed*	As of 31 Mar 2019
Hong Kong & Macau	118	15	15	118
Mainland China	55	7	8	54
Singapore	20	5	4	21
Malaysia	72	10	1	81
Total	265	37	28	**274**

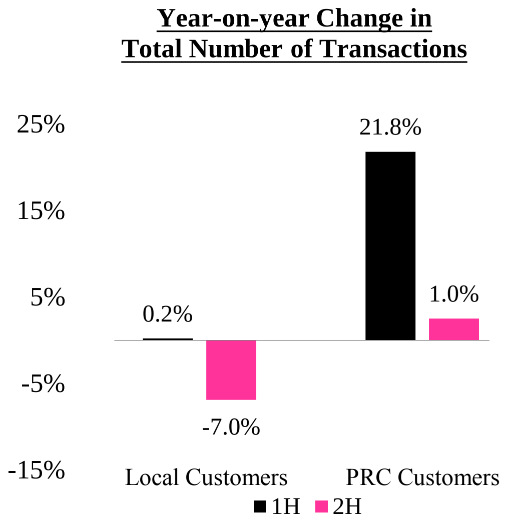
**Note: The number of stores opened and closed within 12 months between 1 April 2018 and 31 March 2019.*

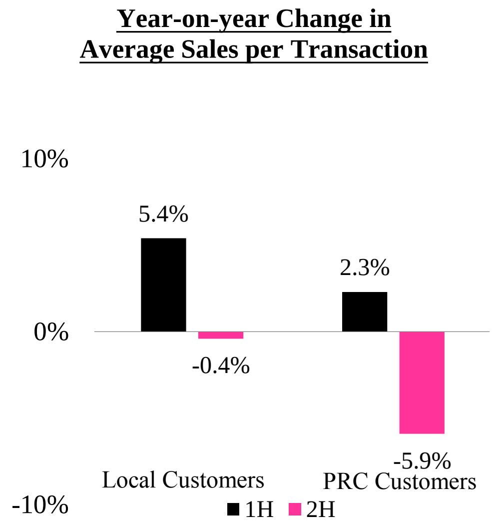
Hong Kong and Macau



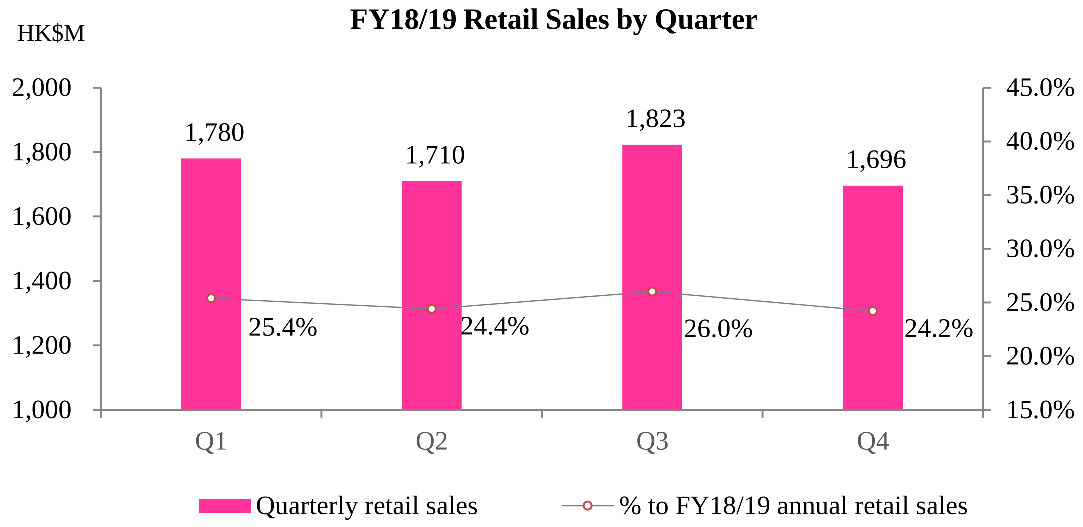


During the year, the Group's turnover in Hong Kong and Macau recorded a growth rate of 4.9%, while same store sales increased by 3.0%. Sales grew at a faster pace in the first half while there was a decline in the second half of the year. Reflecting the influx of Mainland tourists, the total number of transactions increased by 3.5% for the full financial year, of which the number of transactions of Mainland tourists grew by 10.5% while that of local customers fell by 3.6%. The average sales per transaction recorded a modest increase of 1.4% for the year. Local customers contributed to the average sales per transaction with an overall increase of 2.1% while that of Mainland tourists declined 2.3%. There was also a decrease in the product quantity sold per transaction for both local customers and Mainland tourists, whereas the value per item sold rose on a year-on-year basis.





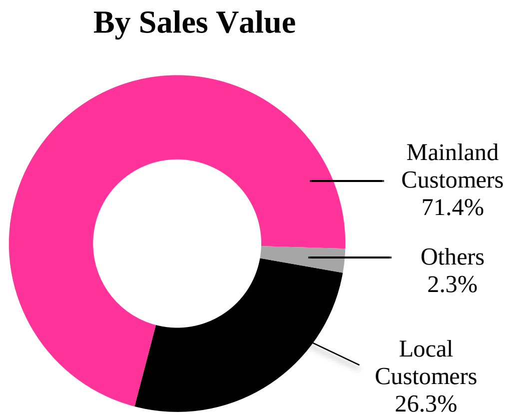
Retail sales increased by 18.5% in the first half of the financial year, with the first quarter recording the strongest growth at 27.9%. The Group's effective product strategy was the key contributor to the first quarter's steady sales performance. Meanwhile, the development of the Greater Bay Area led to the rapid growth of same-day Mainland tourists to Hong Kong and Macau, boosting the number of transactions from Mainland customers. In addition, the vibrant appeal of trendy products and robust consumption by local customers supported the Group's sales performance in Hong Kong and Macau. The number of transactions in these markets increased by 10.7% in the first half, while the average sales per transaction grew by 7.0%.

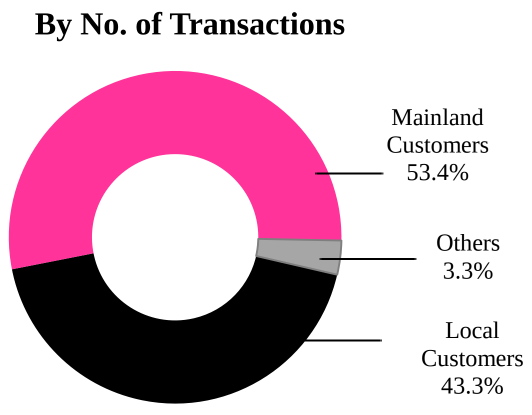


Note: The above data includes the impact of deferred income adjustment on customer loyalty programme

However, retail sales dropped by 5.8% in the second half of the year, while same store sales decreased by 7.3% on a year-on-year basis. Consumer sentiment was affected by Renminbi ("RMB") depreciation due to the Sino-US Trade War as well as a decline in both the stock and property markets, which began in late June 2018. As consumer sentiment turned cautious and consumption patterns changed, consumers reverted to tried and tested products instead of exploring new trendy products. The average sales per transaction decreased by 3.0% in the second half, when a bigger decline of 5.9% in Mainland tourists' spending was recorded alongside a mild decline of 0.4% in local customers' spending.

Customer Mix (FY18/19 Retail Sales)





The new E-commerce Law passed by the Chinese government in August 2018 came into force at the beginning of 2019. Daigou traders became increasingly cautious from late 2018 onwards and dialled down their activities, including content marketing, which directly affected consumers' interest in trendy products. The success of trendy products in the early part of 2018 created a high base for sales growth. Also, the E-commerce Law combined with the Sino-US Trade War dampened the sales of these products in the second half of the financial year, especially in the first and second quarter of calendar year 2019. Consequently, sales for the full financial year significantly lagged behind those of last year.

During the year, a number of pharmacies selling skincare and cosmetic products aggressively opened new stores in tourist hot spots, which intensified competition. The result was that growth in the number of transactions by Mainland customers dropped from 21.8% in the first half to 1.0% in the second half. The number of transactions by local customers also changed from positive growth in the first half to a decline of 7.0% in the second half. Overall, the number of transactions in Hong Kong and Macau markets dropped by 2.8% in the second half.

The increase in tourist arrivals generated by the launch of two mega infrastructure developments in September and October 2018 in Hong Kong did not result in comparable sales growth. According to The Immigration Department of the Government of Hong Kong, the number of Mainland tourist arrivals recorded 20.1% growth from October 2018 to March 2019 on a year-on-year basis, and over 30% growth during the Lunar New Year holiday.

Following the launch of the Hong Kong Section of the Express Railway Link and the Hong Kong-Zhuhai-Macau Bridge, the Group noted that the high growth in Mainland tourist arrivals did not contribute to greater traffic in its retail stores. The increased influx of Mainland tourists via the Hong Kong-Zhuhai-Macau Bridge, in particular, consisted mainly of sightseeing trippers with limited spending power. So far, these tourists have not stimulated the Group's overall sales in the Hong Kong market. Nevertheless, the Group believes that the two mega infrastructure projects will eventually drive the economic development of the Greater Bay Area and boost the consumption power of both local customers and tourists. The "Outline Development Plan for the Guangdong-Hong Kong-Macau Greater Bay Area" introduced in February 2019 is one of China's major strategic deployment plans; the Group therefore will continue to seize the opportunities offered by the region's vast economic potential.

Product Portfolio and Gross Profit

As the Group successfully rode the new wave of trendy products in the first quarter, sales from trendy products in Hong Kong and Macau markets outperformed those of house brand products. This resulted in a drop in the house brand mix from 39.8% to 35.8% in the first half. Despite the decline of gross profit margin year-on-year to 39.9%, operating leverage was realised as rental and front-line staff costs to turnover ratios declined. This in turn led to an improvement of 1.8 percentage points in net profit margin in the first half.

The house brand mix in the second half decreased from 39.9% to 37.3% while the gross profit margin declined from 41.2% to 40.8%. The decline in the house brand mix was mainly due to weaker sole agent sales, especially for some trendy brands. The gross profit margin for the financial year dropped from 41.7% to 40.4%. Gross profit in the Hong Kong and Macau markets increased by 1.6% to HK$2,862.0 million.

The Group is adjusting its product portfolio by taking a more balanced approach to product offerings while also becoming more sensitive to product trends when exploring new products across different categories. These efforts aimed at high-end products and other categories are generating improvements.

Operations and Cost Controls

The Group strives to improve sales and is committed to achieving better cost control in human resources, rental and logistics expenses, and other areas while improving its internal process. The Group also aims at enhancing overall operational efficiencies and competitiveness through big data analysis and adopting flexible business strategies.

In terms of human resources, staff costs represented the largest proportion of shop expenses throughout the financial year. 5.4% of these costs from front-line staff were fixed costs and were adjusted according to the inflation rate. 4.6% of front-line staff costs were variable costs, and changed according to costs of sales and gross profit. Initiatives to adjust the staff incentive system in the second half of the year were not as effective as expected, leading to weaker sales and gross profit performance. Continuous efforts will be made to improve the cost and effectiveness of the Group's incentive system.

Rental costs represented the second largest proportion of the Group's shop expenses. The percentage of shop rental costs to turnover was 11.8%, a decrease of 0.6 percentage point on a year-on-year basis. As of 31 March 2019, the total number of stores in Hong Kong and Macau was 118. In line with effective rental costs control, the Group renewed the contracts of 38 stores with modest rental growth of 0.5%. In terms of store opening strategy, the Group opened new stores located in tourist hot spots such as Hong Kong West Kowloon station, Tsim Sha Tsui, Sheung Shui and Tuen Mun. The Group also closed underperforming stores in order to optimise the store network.

Logistics were one of the major operational priorities. The Group relocated various warehouses in Hong Kong to a single base at ATL Logistics Centre in late 2017. The new lease is more expensive than the old leases, but the significant improvement in space utilisation afforded by a consolidated single warehouse location enables the Group to enhance warehouse automation and operational efficiency. From mid-March 2019, the delivery time to retail stores was further shortened, while the percentage of logistics costs to turnover improved to 2.8%, a similar level to last year. In order to further control operating costs, in July 2018, the Group relocated Hong Kong's overflow capacity warehouse to Shenzhen at a lower cost. Through more sophisticated inventory data analysis and more flexible logistics arrangements, the Group continued to strive to reduce logistics costs while accelerating delivery speed.

Information Technology and Digitalisation

Enhancing information technology and digitalisation is the cornerstone of the Group’s future success. The integration of customer databases is therefore key to the Group’s future competitiveness. By connecting the customer touch points of three business units, namely physical stores in Hong Kong, Macau and Mainland China and e-commerce business, through the centralised customer database, the Group aims to continuously serve occasional Mainland customers who have purchased at Hong Kong and Macau stores. This service extends to both the Mainland China’s bricks-and-mortar stores and online platforms, converting occasional buyers into long-term loyal customers of the Group and creating more sales from the Mainland China market and online channels. The database is also essential for the Group to provide a seamless online-to-offline (“O2O”) shopping experience to customers.

During the year, the Group completed phase one of the integration with all master files of customer data from the three business units, which were uploaded to a centralised customer relationship management (“CRM”) system. The Group also completed the data verification process and is preparing to embark on the second phase of integration work, which includes uploading transaction and new customer data to the consolidated database, and identifying existing customers. This integration will ultimately allow different business units to share the centralised database, ultimately creating synergies to better serve our customers. To achieve the expected goals of the integrated customer database, the Group must overcome a number of challenges, including the restructuring of business units and assignment of new responsibilities for alignment, changes in work processes, and the design of new departmental key performance indicators. The commission reward system of front-line staff will also be revisited. Such organisational restructuring requires determination, dedication, patience and expertise to make it work.

The Group has collaborated with Taobao Global to create a “New Retail Model” with the integration of online and offline platforms since August 2018. The aim of the model is to leverage Taobao’s big data to assist new product sourcing, enabling the fast roll-out of trendy products in both online and offline retail networks. The Group will continue to explore further opportunities to collaborate with Taobao Global.

In regard to information technology, the Group is upgrading the in-store Point of Sale (“POS”) system. The Group has assigned certain stores to pilot the use of new mobile devices for checkout in order to shorten waiting time at the cashiers and improve the overall shopping experience. Meanwhile, the Group is preparing to change its POS system, with the aim of accelerating the processing time of credit cards and other payment solutions, simplifying and automating promotions during checkouts, as well as enabling the Group to move towards customer self-checkout.

Mainland China

During the year, total turnover for the Group’s Mainland China operations slightly decreased by 1.9% in local currency to HK$287.8 million, while same store sales in local currency terms dipped by 1.1%.

The Group continued to optimise its retail network, with 7 new stores opened and 8 other underperforming stores closed during the year. The new stores were mainly clustered within the Greater Bay area in Zhuhai, Dongguan and Jiangmen, along with a first store in Huizhou. A new store was also opened in Nanjing. As of 31 March 2019, the total number of stores was 54 with a total of 16 shops currently operated in 8 Mainland cities in the Greater Bay Area. Since the Wuhan warehouse began operations in November 2018, the Group registered a steady improvement in logistics costs and delivery time, especially in Central and Western China. As a result, the entire warehouse network of the Group became more efficient in terms of costs and distribution.

Owing to the weakness in the sales of house brand products in the first half of the year, gross profit margin dropped by 2.8 percentage points to 49.0%, leading to the loss for the Mainland China business expanding to HK$15.9 million. The Group restructured its sourcing team and proactively adjusted its product portfolio in the second half. Sales of own brand products gradually recovered since the third quarter, driving the overall sales of house brand products. The Group also launched new VIP membership activities during the Lunar New Year peak season in order to attract shoppers, and successfully recruited new members to drive sustainable growth. In addition, the Group proactively improved sales of own brand products and organised marketing promotion activities to stimulate sales, prompting overall sales and same store sales to rebound in the fourth quarter. Gross profit margin increased to 57.9% in the second half as compared to the previous year, although this failed to fully offset the negative growth in the first half of the year. The loss expanded to HK$16.1 million.

E-commerce

Turnover of the Group's e-commerce business increased by 2.2% to HK$391.8 million, of which Mainland China contributed over 90% of sales in the segment, demonstrating a growth rate of 10.6% over the previous year. Third party platforms were the key contributor to the sales of this segment, accounting for nearly 60% of sales. The sales from third party platforms in Mainland China, including Tmall, Kaola, Xiaohongshu and JD.com, grew nearly 70%. While the Group is fueling its e-commerce growth engine, Sa Sa's own website and mobile app remained important customer touch points for the Group's overall business. Owing to the preparation to install a new Order Management System ("OMS") and e-commerce engine during the year, a weaker performance was recorded with a decline of over 30% in sales.

Turnover in the first half of the year increased by 4.6% as compared to the same period last year, while a slight growth of 0.2% in turnover was recorded in the second half of the year. The Group began to adjust its product strategies and switched to promote house brand products in early 2019, and as a result gross profit margin in the fourth quarter rebounded. However, non-recurring expenses of HK$1.7 million, mainly contributed by RMB currency losses, were incurred during the year, while overall losses from the segment for the year narrowed to HK$26.5 million. Excluding non-recurring expenses, losses from online operations narrowed from HK$29.6 million in the previous year to HK$24.8 million.

On the logistics front, the Group began to operate a cross-border e-commerce mailing service beginning in August 2018. As a result, the tax expenses to sales ratio incurred during the year increased by 4.7 percentage points to 10.9%. However, the logistics cost to sales ratio was lowered by 4.4 percentage points to 10.9%, owing to the lower shipping costs of this newly adopted delivery channel, with delivery time expected to be further shortened. Benefits also accrued from avoiding stock provision and delivery delays due to detention of goods at Mainland China customs. Another cost saving effort was the relocation of the warehouse from Zhengzhou to Hangzhou, where e-commerce is clustered to offer price advantage.

Singapore

Turnover for the Singapore market during the year was HK$219.3 million, an increase of 4.0% in local currency terms over the previous year, while same store sales decreased by 0.2%. Retail sales increased by 5.6% in the first half, but narrowed to a growth rate of 2.8% in the second half due to a weaker local economy and a decline in sales. Owing to the increase in operating costs and marketing expenses, the loss widened for the year.

The Group continued to work closely with its suppliers and to diversify its product portfolio by eliminating low productivity SKUs, increasing the sales mix of trendy products and launching new house brand products. Meanwhile, the Group strategically implemented marketing and promotional campaigns, some of which were specifically designed for VIP members.

As of 31 March 2019, the Group operated 21 shops in Singapore, including 5 new stores, with 1 net opening during the year. To cater for changes in consumption behaviour, the new stores were mainly located in suburban areas to attract customers from the local neighbourhood. During the year, the Group closed 4 underperforming stores to optimise its operations. It also localised the procurement and marketing departments and stabilised the local management team to improve operational efficiency.

Malaysia

The Group's turnover in Malaysia was HK$385.2 million, an increase of 4.6% in local currency terms, while same store sales grew by 0.7%. Over the past year, the Group's Malaysian business experienced month-to-month fluctuations due to various changes in consumption tax policy implemented by the new Malaysian government. However, the Group continued to seize business opportunities and achieved an increased profit contribution in this segment.

The Group opened 10 new stores and closed 1 store, with 9 net openings during the year, making a total of 81 shops as of 31 March 2019. The Group's retail network in Malaysia grew the fastest in the financial year.

In addition to opening new stores for turnover contributions, the Group's business strategy of expanding its target customer base to local Malays was a key sales driver. A number of measures were launched to attract Malay customers, including introducing more affordable cosmetics products, adopting a more suitable customer relationship management programme for local Malays, organising regular marketing campaigns, and recruiting local Malay employees.

These measures successfully extended the Group's penetration into the local Malay market. Although a decline in the proportion of sales from local Chinese customers was reported, their spending per transaction increased. The Group will continue its proven business strategy to attract both domestic Chinese and Malay customers. In addition, the Group established online elements in Malaysia in order to create synergies with the Group's offline business.

Outlook and Strategies

Industry Growth and Greater Bay Area Opportunities

The Group is currently facing a number of significant challenges and uncertainties. The US raised tariffs on US$200 billion worth of Chinese imports in early May 2019, escalating trade tensions between the US and China. The threat of deadlocked Sino-US trade talks weighs on the global economy. The Hong Kong Retail Management Association ("HKRMA") expects the overall growth rate in sales will decelerate further and maintains its forecast of low single-digit growth for 2019 as a whole.

On a more positive note, in February 2019, the Central Government announced the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area", which emphasised the further deepening of cooperation between Guangdong, Hong Kong and Macau. The objectives of the development of the Greater Bay Area are to create synergies and drive economic development as well as to leverage the complementary advantages of the three regions.

The Greater Bay Area has a population of over 70 million and a total economic output of US$1.5 trillion. This economic ecosystem encompasses major airports and ports in the Greater Pearl River Delta, which is one of the most economically dynamic and densely populated regions in China. As the international financial centre of the Greater Bay Area, Hong Kong, with its improving transport links to the rest of the Greater Bay Area, will benefit from the increased flow of people to and from Mainland China. This will support both the city's economic development and the local retail market. As the "2018 China Outbound Tourist Big Data Report" by China Tourism Academy and Ctrip reveals, Hong Kong is ranked first amongst the top 10 most popular shopping destinations for Mainland tourists in 2018, and continues to be the most preferred outbound travel shopping destination for Mainland residents.

Embracing the New Retail Era

"New Retail" is a phrase first coined by Alibaba Chairman Jack Ma in 2016. The core of new retail is the combination of online and offline; the combination of people, goods and warehouses; and the combination of virtual and reality.

According to the Hong Kong Government's "2019-20 Budget", which highlighted innovation and technology development, Hong Kong will focus on the development of four major areas – biotechnology, financial technology, smart city and artificial intelligence – to build Hong Kong into a genuine smart city. Specific measures include data opening, accelerating the fifth-generation mobile (5G) spectrum auction, and Faster Payment System (FPS) for mobile payments. Such innovations will allow the local retail industry to have its fingers on the global pulse.

The development of "New Retail" has become a major new trend and is set to create growing business opportunities. Based on the "customer-centric" principle, the Group aims to understand customers better and to interact more closely with them, moving towards the long term goal of providing a seamless online-to-offline shopping experience to its customers.

To achieve these targets, the Group has integrated all three individual customer databases from its retail stores in Hong Kong, Macau and Mainland China, as well as e-commerce business, and uploaded them onto a single centralised cloud database. Currently, the first phase of the master file of customer data uploading work has been completed. The next step will involve enriching the data to identify customers across multiple customer touch points and uploading transaction data. The aim is to use this extensive customer database for cross-selling and enhancement of customer loyalty.

A new POS system is expected to launch in Hong Kong stores by the end of the financial year ending March 2020. When combined with other developments in the pipeline, the new POS system has the capability to enhance both the physical store and online shopping experience.

In the long run, the Group aims to enhance the combined strength of Sa Sa's extensive physical store network in Hong Kong, Macau and Mainland China and its professional beauty consultant team while diligently managing its online operations. This strategy will free customers from geographical and time constraints, and create a "customer-centric" new retail service model to upgrade the overall shopping experience.

Hong Kong and Macau

As mentioned above, the retail market is full of challenges. This is especially so in 2019 given the high base effect in the first half of the year and the potential impact of an on-going and possibly escalating Sino-US trade war. However, the Group is cautiously optimistic that the opportunities offered by the Greater Bay Area will bear fruit in the medium to long term. The Group is determined to improve its competitiveness in different areas to navigate the various market headwinds.

In regard to retail stores, the Group will take into account evolving demographics, changes in visitors via different entry points and the competitive landscape. Stores will be opened in target areas to fill gaps and to improve catchment in others while capturing reasonable rental opportunities where possible. This will strengthen the overall network competitiveness at a manageable overall rental cost.

Product portfolio improvement is another key to success. The Group will continue to leverage on and further build its long-standing network and relationship with suppliers, using big data to continuously manage its product portfolio. In view of the strong growth of European, US and high-end brands across the industry, the Group began to rebalance its high-end product portfolio at the end of the fourth quarter. It is expected that traffic and the Group's premium-heavy own brand mix will benefit from linked sales as a result. The Group endeavours to introduce new and trendy products with high sales volume to boost store traffic and better adapt to changing consumer preferences. In April 2019, the Group's retail store at Kowloon Hotel debuted the Seagrape Deep Hydrating Water Gel Mask of FAN BEAUTY, a beauty label created by renowned Chinese artist Fan Bingbing (范冰冰). The store was the first physical cosmetic store to launch this new product globally. This innovative product has enriched the Group's product portfolio and attracted increased traffic to its stores. Consumers are especially drawn by the charisma of celebrity and the appeal of the product's features, which are driving sales performance. The Group will adopt a proactive approach to explore other new products with similar potential in order to attract more customers and further build sales momentum.

The Group will also further explore the use of digital solutions to study, analyse and predict customer preferences, thereby enabling faster introduction of new products. Continuous efforts will be made to eliminate low productivity SKUs with the aim of dedicating more shelf space to products with high productivity. Overall productivity will be enhanced while the risk of product obsolescence and expiry will be reduced.

As the growing influence of social media is highly impactful, particularly for new product launches and sales, the Group will invest more resources in social media, digital marketing and targeted promotions to attract young consumers who have higher consumption power. Following the launch of the new store image in the middle of 2018, the Group is improving product display, aiming at attracting customers' attention and shop traffic as well as enhancing overall sales. In the area of logistics, continuous warehouse automation will help alleviate the reliance on manpower, enhance daily handling capacity, shorten delivery time and improve overall operational efficiency.

Mainland China

The external environment is still volatile; and the recent escalation in the Sino-US trade war since early May is undoubtedly weighing on China's economy. Nevertheless, the Chinese government has introduced a number of measures to maintain economic stability, along with other in-depth measures to promote the development of the Greater Bay Area. As one of China's long-term strategic deployment plans, the Greater Bay area remains one of the Group's key development regions. The Group will continue to capture the opportunities generated by the further integration of the area.

The Group will also closely monitor the market, and continue to expand its business with caution in areas with high strategic value and advantages, all with the aim of improving competitiveness, operational efficiency and store contribution.

In order to attract greater traffic in Mainland retail stores, the Group will continue to place more emphasis on improving its product portfolio, working closely with local suppliers to introduce more popular brands and hero products to address customers' needs. The Group will also strive to improve the commission system for front-line staff, enhancing their morale while effectively improving overall sales and gross profit margin.

The Group is well aware of the importance of customer engagement and understanding the shift in consumer preferences in this highly "customer-centric" era. With this in mind, the Group has launched a brand new customer relationship management programme, which is expected to create synergies with the Group's centralised customer database in the long run. By launching more promotional offers in the programme, the Group hopes to foster repeat purchases by existing members at Sa Sa stores and to absorb more new customers. These customer loyalty activities will enable the Group to retrieve more customer data for business analysis, laying a solid foundation for creating a seamless online-to-offline shopping experience through customer database integration.

E-commerce

Given the change in the shopping patterns of netizens in Mainland China and the strong growth of third-party platforms, the Group will further explore new opportunities and partnerships with third-party e-commerce platforms. The Group will capitalise on their customer base, support services and diversified promotions to attract new customers and expand brand exposure in a cost effective manner. The Group began operating an online store on HKTVmall in Hong Kong at the beginning of 2019, and collaboration with other third-party platforms is under consideration.

The development of the Group's own online channels will continue to be a targeted investment focus. The Group regards its own website as one of multiple touch points for its customers. The new e-commerce engine targets to be in place by the end of calendar year 2020, the function of the Group's own website will be taken to a new level. More emphasis will be placed on enhancing the customer loyalty of both its own online customers and physical store customers in Hong Kong, Macau and Mainland China.

In addition, the Group plans to launch a WeChat mini-programme during the financial year of 2020, providing data to the Group which will enable effective identification of customers, and to facilitate cooperation with renowned platforms, especially content-based social platforms. This will allow the Group to maintain interaction and sales with Mainland customers from its Hong Kong and Macau stores and support customer retention through online and physical store presence in Mainland China.

An efficient warehouse network is the backbone supporting the Group's future O2O shopping experience and new retail model. Measures for optimising the overall efficiency of the warehouses include the introduction of a new OMS, which will enhance daily handling capacity and flexibility while increasing the transparency of inventory. The e-commerce warehouse in Hong Kong was relocated to ATL Logistics Centre in April 2019 in order to share the same warehousing space with the Group's Hong Kong and Macau business, and thereby enhance overall cost-effectiveness.

In terms of product portfolio, the Group will accelerate launches of new products and introduce more house brands to optimise the product mix. Gross margin performance and the overall competitiveness of the Group's e-commerce business will be enhanced.

Singapore

The Ministry of Trade and Industry Singapore maintained its GDP growth forecast for 2019 in the range of 1.5%-2.5%. Growth is expected to come in slightly below the mid-point of the forecast range due to the threat of a sharper-than-expected China slowdown, worsening of the trade conflict with the United States and the uncertainties caused by Brexit.

The Group opened 5 new stores in the financial year, and the focus of the coming year will be on improving the same store sales of these new stores. Another development focus will be on adjusting the product mix. The Group will maintain close ties with its suppliers and continue to introduce popular new products, improve store display, and engage in attractive marketing activities especially in shopping malls where the Group does not yet operate. All these measures are aimed at increasing the exposure of Sa Sa and its product brands, while acquiring new customers.

Since online shopping is becoming increasingly popular, in May 2019 the Group soft launched a new mobile app in Singapore to enhance customer loyalty and boost repeat sales. To maximise the effectiveness of this mobile app, the Group plans to implement a new “Click-and-Collect” service. Customers can purchase products at Sa Sa’s Singaporean website or mobile app, with the option of picking up the goods at the physical stores. This service matches the busy lifestyle of modern urbanites, and will improve both online and offline shopping experience of customers, thereby strengthening Sa Sa’s core competitiveness.

Malaysia

Retail Group Malaysia raised its 2019 growth forecast for the local retail sector to 4.5%. The government has imposed more taxes, which has led to a slowdown in business expansion, and high operating costs have also hit SMEs. However, the Malaysian government will continue to distribute one-off monetary incentives to Malaysians, and the establishment of the minimum wage will also lessen citizens’ financial burden and stimulate local consumption sentiment.

Following the initial results of last year’s strategy of extending the target customer base from local Chinese to Malays, the Group will continue to move in this direction in the coming year. The Group aims to build a more diversified product portfolio based on the Malay segment’s attraction to make-up products. Malays will also be appointed as brand or product spokespersons to further penetrate this new customer segment and explore fresh revenue streams for the Group.

Sa Sa is the biggest beauty specialty store in Malaysia. In order to stay abreast of the trend of online shopping, a local mobile app will be launched in the first half of 2019 to enable the Group to interact more closely with customers and strengthen customer loyalty. The Group will also launch a “Click-and-Collect” service to provide a more convenient and pleasant shopping experience, with the aim of increasing the number of repeat transactions of customers and further boosting the Group’s leading share in this market.

Human Resources

As at 31 March 2019, the Group had around 4,700 employees. The Group’s staff costs for the year under review were HK$1,170.7 million. Details on our human resources programs, training and development will be set out in the environment, social and governance report and the enterprise risk management report sections of the annual report for the year ended 31 March 2019.

Financial Review

Capital Resources and Liquidity

As at 31 March 2019, the Group’s total equity funds amounted to HK$2,486.6 million including reserves of HK$2,177.0 million. The Group continued to maintain a strong financial position with cash and bank balances of HK$1,140.6 million. The Group’s working capital amounted to HK$2,024.8 million. Based on the Group’s steady cash inflow from operations, coupled with sufficient cash and bank balances and readily available banking facilities, the Group has adequate liquidity and financial resources to meet the working capital requirements as well as to fund its budgeted expansion plans in the next financial year.

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

Financial Position

Total funds employed (representing total equity) as at 31 March 2019 were HK$2,486.6 million, representing a 0.2% increase over the funds employed of HK$2,482.8 million as at 31 March 2018.

The gearing ratio, defined as the ratio of total borrowings to total equity, was zero as at 31 March 2019 and 31 March 2018.

Treasury Policies

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

Charge on Group Assets

As at 31 March 2019, 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 2019.

Capital Commitments

As at 31 March 2019, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK$39.8 million.

Conclusion

The retail market in 2019 is both challenging and uncertain. Some of these challenges are due to external factors while others derive from the need to adapt to a changing operating and competitive environment.

In the medium to long term, there are many market opportunities that are beneficial to the local retail industry, such as the completion of the mega infrastructure projects within the Greater Bay Area, and the implementation of favourable policies benefiting talents, information, capital and trade flows enacted by the Central Government.

The Group is committed to embracing the Era of New Retail, and to becoming increasingly customer-centric for its future development. The process of integrating the customer database of both physical stores in Hong Kong, Macau and Mainland China with that of its e-commerce business is well underway. The Group will use this integrated customer database in coordination with physical stores in Hong Kong, Macau and Mainland China as well as its online presence to provide multiple touch point services to customers. By using big data for business and product analysis, the Group continues to formulate strategies to cater to the changing patterns in consumer behaviour, preferences and expectations. Capitalising on its physical store network, professional beauty consultant team, maturing nation-wide logistics capabilities and e-commerce online stores, the Group is set to provide a seamless online-to-offline shopping experience for its customers.

The efficiency and flexibility of Sa Sa's management team will help the Group to ride the wave of the future in terms of new products, new media, and online and offline big data analytics. Such detailed strategies and forward-looking insights will continue to support the Group's position as a leading cosmetics retailing group in Asia. As ever, the resourcefulness and agility of the Group's loyal staff and the long-term vision of its dedicated management team will ensure that Sa Sa continues to deliver sustainable growth for many years to come.

FINAL DIVIDEND

The board of directors recommends a final dividend of 9.0 HK cents (2018: 11.0* HK cents) per share for the year ended 31 March 2019. Such dividend will be proposed for approval at the annual general meeting ("AGM") of the Company on Monday, 2 September 2019, and, if approved, is payable to shareholders whose names appear on the register of members of the Company on Monday, 9 September 2019.

Subject to approval by the Company's shareholders at the AGM, the final dividend will be payable in cash, with a scrip dividend alternative which will give shareholders an opportunity to increase their investment in the Company without incurring brokerage fees, stamp duty and related dealing costs. The scrip dividend alternative will also benefit the Company to the extent that such cash as would otherwise have been paid to shareholders who elect to receive the dividends in scrip, in whole or in part in lieu of a cash dividend, will be retained for use by the Company as working capital or to fund new investments. To facilitate shareholders' reinvestment of their dividends into the Company's shares, the board of directors has resolved to offer a five (5) per cent discount on the market price (being the average value of the closing prices of one share on the Stock Exchange of Hong Kong Limited for the five consecutive trading days up to and including the record date) for eligible shareholders who elect to receive the dividends in scrip. The new shares to be issued pursuant to the scrip dividend alternative are subject to The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the new shares to be issued. Further details will be set out in a circular which will be dispatched to shareholders together with an election form in the middle of September 2019. The final dividend is expected to be paid on or around Tuesday, 22 October 2019.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 March 2019. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2019 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

BUY-BACK, SALE OR REDEMPTION OF SHARES

During the year ended 31 March 2019, there was no buy-back, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries, except that the trustee of the Share Award Scheme, pursuant to the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 2,000,000 shares at a total consideration of about HK$9.6 million.

* Excluding the special dividend of 3.0 HK cents per share in commemoration of the 40th anniversary of the Group.

CORPORATE GOVERNANCE

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

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

Throughout the year ended 31 March 2019 and up to the date of this announcement, the Company has complied with all the code provisions in the CG Code except code provision A.2.1 recommending the separation of the roles of chairman and chief executive. In respect of the one deviation from the CG Code, the roles of the chairman and chief executive officer are currently held by the same individual, namely, Dr KWOK Siu Ming Simon. The division of responsibilities between the two roles are, however, clearly established and set out in writing in the respective terms of reference for the chairman and the chief executive officer. Dr Kwok, being one of the founders of the Group, has superior knowledge of our business and is a veteran of the retail industry. The board of directors is therefore of the view that vesting the roles of chairman and chief executive officer in the same person facilitates the execution of the Group's business strategies and maximizes the effectiveness of our operations. We will, nevertheless, periodically review the structure of the board of directors going forward in light of the evolving needs of the Group and consider segregation of the two roles if and when appropriate.

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

The Company has adopted its 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 set out in Appendix 10 of the Listing Rules (Model Code). The Model Code is extended to certain "relevant employees" who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities. Having made specific enquiry of all directors of the Company and relevant employees of the Group, all of them have confirmed that they have complied with the policy throughout the period under review.

The annual report of the Company for the year ended 31 March 2019 containing more information on its corporate governance practices will be dispatched to the shareholders on or around Monday, 22 July 2019, and be published on the respective websites of Hong Kong Exchanges and Clearing Limited and the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

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

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

● Latest time to lodge transfer documents for registration	4:30 p.m. on Tuesday, 27 August 2019
● Closure of Register of Members	Wednesday, 28 August 2019 to Monday, 2 September 2019 (both dates inclusive)
● Record date	Monday, 2 September 2019

(ii) For determining entitlement to the final dividend (if payable):

● Latest time to lodge transfer documents for registration	4:30 p.m. on Thursday, 5 September 2019
● Closure of Register of Members	Friday, 6 September 2019 to Monday, 9 September 2019 (both dates inclusive)
● Record date	Monday, 9 September 2019

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

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

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

Hong Kong, 20 June 2019

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

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

Non-executive Director
Ms LEE Yun Chun Marie-Christine

Independent non-executive Directors
Ms TAM Wai Chu Maria*, GBM, GBS, JP*
Ms KI Man Fung Leonie*, GBS, SBS, JP*
Mr TAN Wee Seng