

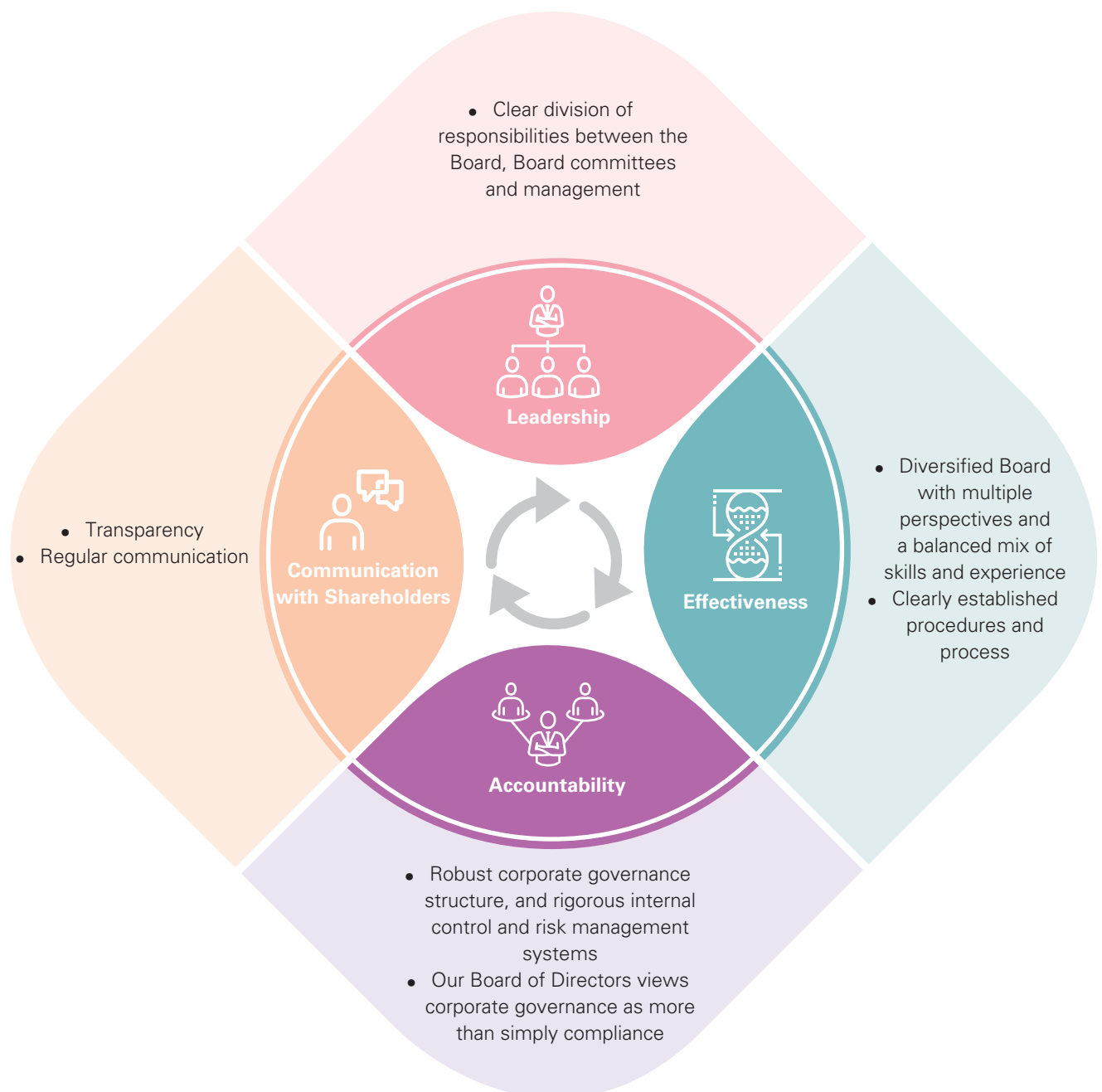
# CORPORATE GOVERNANCE REPORT



“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

## Corporate Governance at Sa Sa



## Highlights in Corporate Governance Practices for 2017/2018

Below are the highlights of our ongoing initiatives for the development of our corporate governance practices during the year ended 31 March 2018:

The independent non-executive directors and non-executive director spent three full day meeting with the executive directors and members of the management team to consider and determine (i) the strategic direction for the next 3 to 5 years; (ii) the execution plan for the coming year; and (iii) the budget for the year ending 31 March 2019. The strategic framework was formed through a two-way flow of information between the board and management to ensure alignment.

### Strategic Planning

Our directors actively participated in board and board committee meetings during the year. The attendance rate of the directors for all board meetings and meetings of the audit, remuneration and nomination committees was 100%.

### Active Participation of Directors

Corporate governance starts with the tone at the top but awareness among staff is equally important. 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.

### Nurturing a Culture of Good Corporate Governance

In addition to regulatory and industry and market related updates, our directors regularly attended external seminars and internal training. A training on cyber-security was organised for the directors during the year for them to keep abreast of this emerging risk, and a presentation on Hong Kong Financial Reporting Standards HKFRS 16 for leases was organised for members of the audit committee for them to make early preparation for this important new development.

### Enhancing Directors' Competence through Continuous Developments





## Compliance with Corporate Governance Code (CG Code)

The CG Code is the standard against which we measure ourselves. Throughout the year ended 31 March 2018, we have complied with all but one of the code provisions in the CG Code. We have also exceeded the CG Code in the following aspects:

- ✓ Board evaluation on the effectiveness of the Board has been conducted.
- ✓ Majority of our Board members are 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 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, the National Day Golden Week Holiday, and the first two months of 2018.
- ✓ 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 30 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' preferences as to the means of receiving corporate communications and shareholders are encouraged to elect for electronic 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. 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.

**Our Corporate Governance Structure**

**Shareholders**



**Board**



<b>Board Committees</b>				
<b>Audit Committee</b>	<b>Nomination Committee</b>	<b>Remuneration Committee</b>	<b>Executive Committee</b>	<b>Risk Management Committee</b>



**Management**





# Leadership

## Composition of the Board and Board Committees

<b>Board*</b>						
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 Ms TAM Wai Chu Maria Ms KI Man Fung Leonie Mr TAN Wee Seng					
<b>Audit Committee</b>		<b>Nomination Committee</b>		<b>Remuneration Committee</b>		
Mr TAN Wee Seng (Chair) Ms TAM Wai Chu Maria Ms KI Man Fung Leonie	Ms TAM Wai Chu Maria (Chair) Dr KWOK LAW Kwai Chun Eleanor Ms KI Man Fung Leonie		Ms KI Man Fung Leonie (Chair) Dr KWOK LAW Kwai Chun Eleanor Ms TAM Wai Chu Maria			
<b>Executive Committee</b>			<b>Risk Management Committee</b>			
Dr KWOK Siu Ming Simon (Chair) Dr KWOK LAW Kwai Chun Eleanor Dr LOOK Guy		Dr KWOK Siu Ming Simon (Chair) Dr KWOK LAW Kwai Chun Eleanor Dr LOOK Guy				

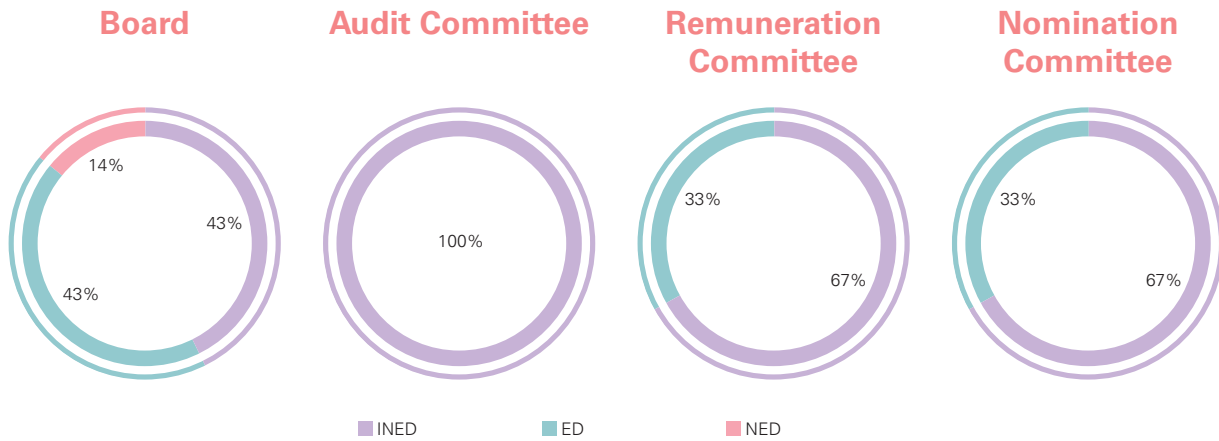
Note: \*Dr LEUNG Kwok Fai Thomas was an independent non-executive director, chairman of the Remuneration Committee, member of the Audit Committee and member of the Nomination Committee until 29 August 2017.

The Board has a balanced composition, comprising three executive directors, one non-executive director and three independent non-executive directors. This composition well fulfils 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 54 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**

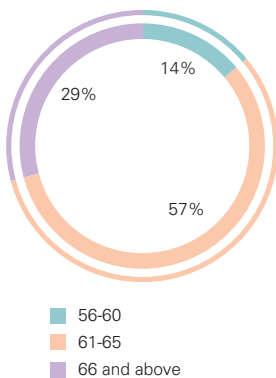
We have a strong element of independence on the Board, providing independent and objective oversight on strategic issues and performance matters.



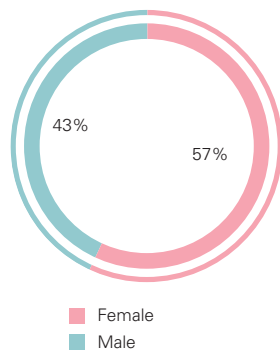
Some of our independent non-executive directors have served as our Board members for more than nine years, which could be relevant to the determination of independence. However, it is well recognised that an individual’s independence cannot be determined arbitrarily on the basis of a set period of time. In assessing the independence of INEDs, the Board and the Nomination Committee consider the individual directors’ character and judgement as demonstrated by their commitment and contribution to the Board during their years of service and other relevant factors. We believe that the independent non-executive directors who have served more than nine years, namely 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. We are confident 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**

**Age Group**



**Gender**



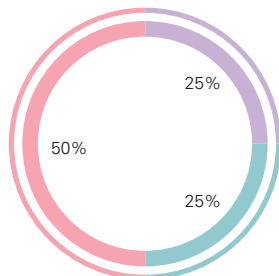
We believe that in an increasingly complex and fast changing business environment, the diversity of the Board helps foster different perspectives and a varied Board composition means that the Board is more alert to different opportunities and risks. A strategy that aims at Board diversity leads to a greater knowledge base, and more creativity and innovation within the Board. This helps us to better understand the evolving needs of our customers, increase our sensitivity to changes in the competitive landscape, optimise technology advancement, better manage risks and capitalize on opportunities. All these factors generate higher growth.

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 towards achieving Board diversity. This policy is subject to review on a regular basis and can be found on our website.



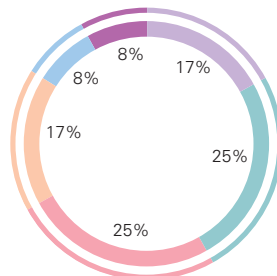


### Length of Services of Non-executive Directors



- 1-5 years
- 6-10 years
- Over 10 years

### Board Member's Expertise



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

We have a high percentage of women sitting on our Board. 57% of our Board members are female.

In addition to the appointment of women as directors, our current Board consists of members from a diverse background with a balance of skills and experience to oversee the business of the Group. They include persons with a wealth of practical experience in the retail industry, legal profession, accountancy profession, marketing, management, human resources and the financial industry.

Over 40% 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 KWOK Siu Ming Simon, Dr KWOK LAW Kwai Chun Eleanor and Ms KI Man Fung Leonie will retire from office by rotation at the AGM to be held on 3 September 2018. Dr KWOK Siu Ming Simon, Dr KWOK LAW Kwai Chun Eleanor and Ms KI Man Fung Leonie, being eligible, will offer themselves for re-election. Further details will be set out in the circular to be dispatched to the Shareholders with the notice of the AGM.

## Clear Division of Responsibilities

### Between Chairman and Chief Executive Officer

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

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 handled efficiently and in a timely manner.

Chairman	CEO
<p><b>Board Effectiveness</b></p> <ul style="list-style-type: none"> <li>Provides leadership to the Board to enable it to discharge its functions effectively.</li> </ul> <p><b>Corporate Goals and Governance</b></p> <ul style="list-style-type: none"> <li>Takes primary responsibility for ensuring that good corporate governance practices and procedures are established.</li> <li>Ensures that the Board and management are committed to the maintenance of good corporate governance practices and procedures.</li> <li>Ensures that the Chief Executive and the management effectively implement the corporate goals and strategies formulated by the Board.</li> </ul>	<p><b>Management of Group's Business</b></p> <ul style="list-style-type: none"> <li>Provides leadership to the management.</li> <li>Ensures effective implementation of the strategies and objectives agreed by the Board.</li> <li>Operates the day-to-day management and business of the Group.</li> <li>Meets with the management regularly to discuss and develop strategic operating plans that reflect the objectives of the Board and to maintain optimum operational performance.</li> <li>Leads management in the design, implementation and monitoring of the risk management and internal control systems.</li> </ul>







Chairman	CEO
<p data-bbox="225 456 624 488"><b>Board Business and Discussion</b></p> <ul data-bbox="225 533 821 1361" style="list-style-type: none"><li>• With the assistance of the Company Secretary, the Chairman:<ul data-bbox="272 600 821 1361" style="list-style-type: none"><li>- draws up the agenda for each Board meeting;</li><li>- 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;</li><li>- 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;</li><li>- 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;</li><li>- ensures that all directors receive, in a timely manner, meeting materials including supporting analysis and presentation materials; and</li><li>- promotes a culture of openness and debate, while actively encouraging directors with different views to voice their opinions and be fully engaged in the Board's affairs.</li></ul></li></ul> <p data-bbox="225 1402 675 1433"><b>Communication with Shareholders</b></p> <ul data-bbox="225 1473 807 1608" style="list-style-type: none"><li>• Ensures that there is effective communication with shareholders, and that each Director develops and maintains an understanding of the stakeholders' views.</li></ul>	<p data-bbox="849 456 1278 488"><b>Quality Information for the Board</b></p> <ul data-bbox="849 533 1447 667" style="list-style-type: none"><li>• With the support and assistance of the management, provides the Board with high quality information and recommendations to enable informed decisions to be made.</li></ul>

### **Executive Directors**

Our Executive Directors comprise the Chairman/CEO, Vice-chairman and CFO, who 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. INEDs also scrutinise the Group's performance through informed insight and independent judgement. They constructively challenge the management, which role 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 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, 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 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 management, which is available on our website. The management provides monthly updates to the Board to enable Board members to discharge their duties more effectively.

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. They thereby ensure that the Board has a general understanding of the Group's business so that they can 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, seven separate management meetings were held during the year 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 Committee 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
<b>Executive Directors</b>							
Dr KWOK Siu Ming Simon	6/6	4/4*	1/1*	1/1*	7/7	9/9	1/1
Dr KWOK LAW Kwai Chun Eleanor	6/6	4/4*	1/1	1/1	6/7	9/9	1/1
Dr LOOK Guy	6/6	4/4*			6/7	9/9	1/1
<b>Non-executive Director</b>							
Ms LEE Yun Chun Marie-Christine	6/6						1/1
<b>Independent Non-executive Directors</b>							
Dr LEUNG Kwok Fai Thomas <sup>#</sup>	3/3	3/3	1/1	1/1			1/1
Ms TAM Wai Chu Maria	6/6	4/4	1/1	1/1			1/1
Ms KI Man Fung Leonie	6/6	4/4	1/1				1/1
Mr TAN Wee Seng	6/6	4/4					1/1
<b>Total number of meetings</b>	6	4	1	1	7	9	1
Average attendance rate of directors <sup>Δ</sup>	100%	100%	100%	100%	90.5%	100%	100%

Notes:

Attendance is expressed as the number of meetings attended out of the number of meetings held.

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

(<sup>Δ</sup>) average attendance rate is calculated without the invitees.

<sup>#</sup> Dr LEUNG Kwok Fai Thomas retired as an Independent Non-executive director of the Company with effect from the conclusion of the annual general meeting held on 29 August 2017.

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

### Work Done by the Board in the Year Ended 31 March 2018:

#### Financial Results

- ✓ Approved the annual results and annual report for the year ended 31 March 2017 including the annual results announcement.
- ✓ Approved the interim report and interim results announcement for the six months ended 30 September 2017.
- ✓ Approved the proposal of payment of final dividends for the year ended 31 March 2017 and the interim dividend for the six months ended 30 September 2017.
- ✓ 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.

#### Corporate Governance

- ✓ Approved the re-elections of Ms LEE Yun Chun Marie-Christine and Mr TAN Wee Seng at the annual general meeting held on 29 August 2017.
- ✓ Received reports from each of the Audit, Nomination and Remuneration Committees following each committee meeting.
- ✓ Received and considered the report on risk management and internal control systems and the top 10 risks of the Group.
- ✓ Approved the revised the whistleblowing policy.

### 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.

### 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 changing 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. They are further requested to abstain from voting if any conflicts of interest arise or if 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. From time to time, the Board has reviews and monitors 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 that their knowledge and skills continue to improve.

During the period under review, in addition to reviewing industry and regulatory updates, the Audit Committee received a presentation on new accounting standards of leases from PwC. In April 2018, all directors attended an in-house training on cyber-security conducted by an external expert in the field. 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 attend our corporate events such as Sa Sa Ladies Purse Day and Sa Sa Annual Dinner. All directors are required to provide the Company with their training records, and to confirm their respective records on a semi-annual basis.

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

Name of Directors	Types of Continuous Professional Development		
	 Attending directors' trainings, seminars or conferences related to directors' duties or other relevant topics	 Reviewing legislative or regulatory updates	 Reviewing information relevant to the Company or its business, 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	✓	✓	✓
Dr LEUNG Kwok Fai Thomas (Retired on 29 August 2017)	✓	✓	✓
Ms TAM Wai Chu Maria	✓	✓	✓
Ms KI Man Fung Leonie	✓	✓	✓
Mr TAN Wee Seng	✓	✓	✓

### Company Secretary

Our Company Secretary is an employee of the Company and reports to the Chairman and CEO. She also acts as secretary to most 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 made at the meetings). She also advises the Board on compliance and corporate governance matters, including updating the Board on any legal and regulatory changes, as well as 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 2018, the Audit fees of the Group amounted to approximately HK\$5,739,000, comprising audit fees of HK\$3,522,000 and non-audit fees of HK\$2,217,000. 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.

## Effectiveness

### Delegation by the Board

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

Each Board Committee is governed by its own Terms of Reference, which are reviewed from time 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 127. 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 Committees

<b>Board</b>	<b>Audit Committee (All members are INEDs)</b>	<p>Duties:</p> <p>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 judgement 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.</p>
	<b>Remuneration Committee (Majority are INEDs)</b>	<p>Duties:</p> <p>To determine, with delegated responsibility, the remuneration packages of individual executive directors and management; and giving due regard to the Company's financial status, to ensure the directors and management are fairly rewarded.</p>
	<b>Nomination Committee (Majority are INEDs)</b>	<p>Duties:</p> <p>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.</p>
	<b>Executive Committee (All EDs)</b>	<p>Duties:</p> <p>To ensure successful implementation of the corporate strategy and directions of the Group as determined by the Board.</p>
	<b>Risk Management Committee (All EDs)</b>	<p>Duties:</p> <p>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.</p>

### Audit Committee

#### Work Done by the Audit Committee in the Year Ended 31 March 2018:

##### Internal and External Audit Matters

- ✓ Received and considered the presentation of HKFRS16 (Lease) and the impact on the Group.
- ✓ Reviewed the semi-annual summary of audit and non-audit services provided by the external auditor for the year ended 31 March 2017 and the six months ended 30 September 2017.
- ✓ Reviewed and discussed the 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 and the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

##### Financial Results

- ✓ Reviewed the annual results announcement and annual report for the year ended 31 March 2017 and made recommendations to the Board.
- ✓ Reviewed and considered the proposal of payment of final dividends for the year ended 31 March 2017 and the interim dividend for the six months ended 30 September 2017 and made recommendations to the Board.
- ✓ Reviewed and discussed the interim results for the six months ended 30 September 2017, 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. These meetings afforded 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 2018:

##### 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 approved the remuneration package proposal for management.







## Remuneration of Directors and Management

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

We have in place a formal and transparent Remuneration Policy for directors and 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 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 also 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 Note 7 to the consolidated financial statements on pages 196 to 198.

## Nomination Committee

### Work Done by the Nomination Committee in the Year Ended 31 March 2018:

#### Board Composition

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

#### Retirement of Directors

- ✓ Considered the retirement of Dr LEUNG Kwok Fai Thomas.

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 continuing 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, concluding that all INEDs meet the independence guidelines as set out in Rule 3.13 of the Listing Rules. In addition, the Committee has concluded that there exist 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 2018:

##### 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, all of 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 2018:
  - Store openings 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). The Executive Committee has held regular meetings and the number of meetings and the attendance of individual Committee members are set out on page 127. 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 2018:

#### System and Control

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

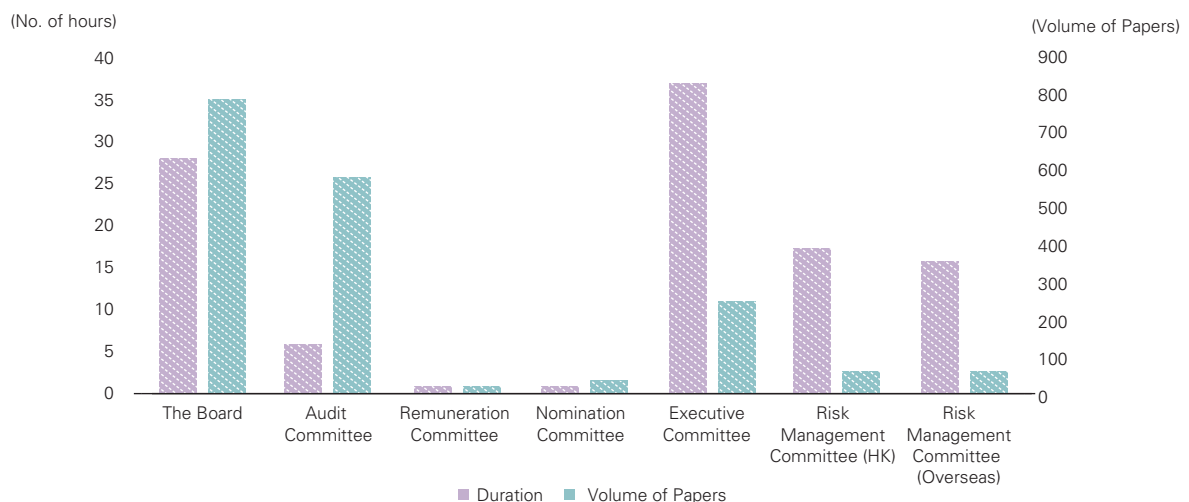
#### Enterprise Risk Management Program

- ✓ Reviewed and discussed the ERM progress and results for the year ended 31 March 2018 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 the 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. The Risk Management Committee held regular meetings and the number of meetings and attendance records of individual Committee members are set out on page 127. Please refer to pages 142 to 148 of the Enterprise Risk Management Report for details of this Committee.

## Time Commitment of Directors

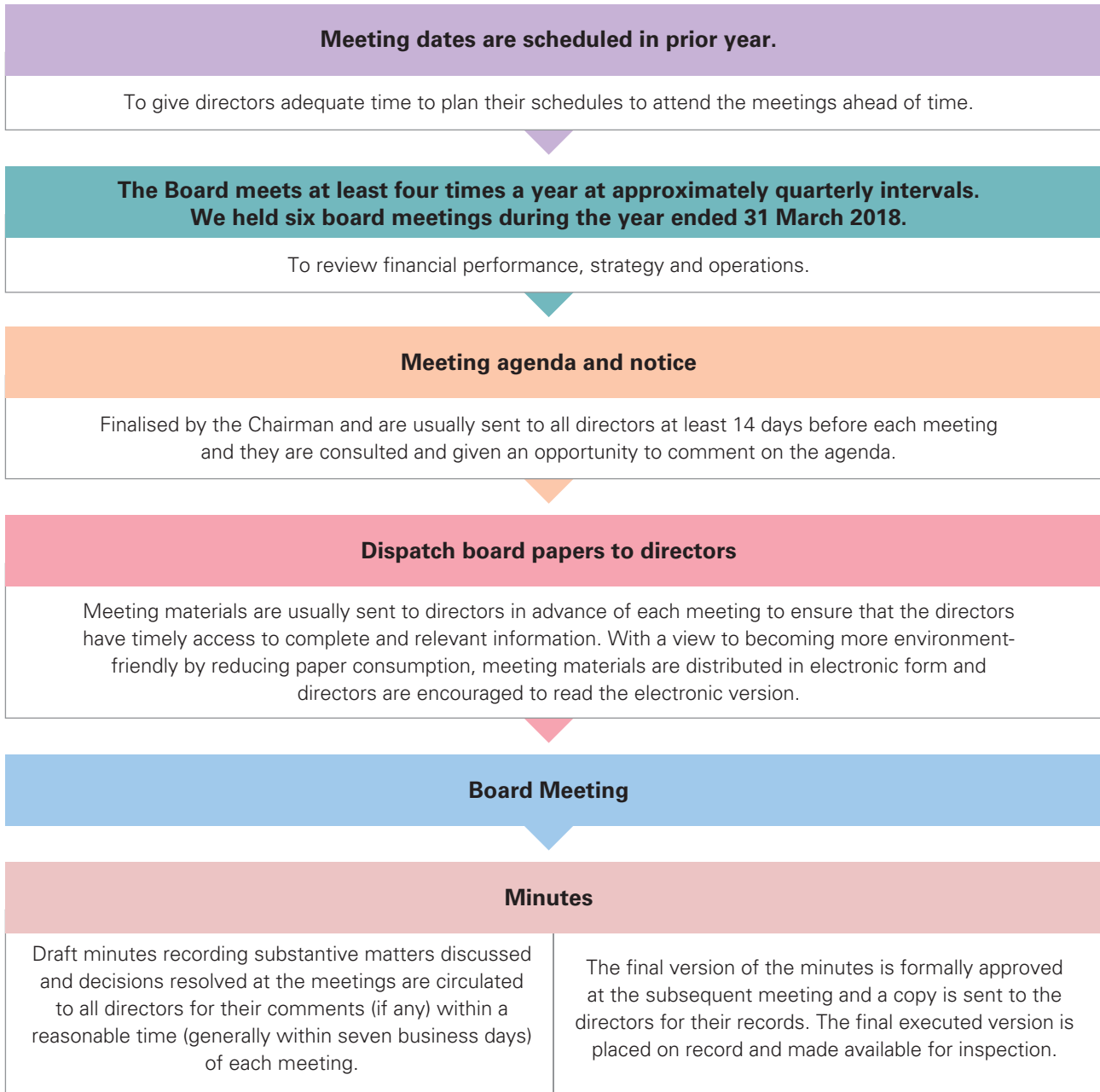
All directors have confirmed to the Company that they have given sufficient time and attention to the affairs of the Company and made contributions to the development of the Company's strategy and policies through independent, constructive and informed comments throughout the period under review. To 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 in 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

We recognise the importance of providing timely and appropriate information to directors so as to enable them to make informed decisions and to perform their duties and responsibilities effectively.





## Accountability

### 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 in regard to all relevant laws and regulations. Trainings on important topics such as the Listing Rules, anti-corruption procedures, 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, and Gifts and Entertainment Policy, are in place, setting 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.

The Company regards consumer protection legislation as having a significant impact on the Group and takes active steps to ensure compliance.

With respect to the protection of personal data, the Group has a compliance manual, which is a practical guide complete with examples, case studies and compliance checklists aiming to assist employees to comply with their obligations under the laws and regulations governing personal data. The step-by-step compliance checklists cover the entire life cycle of personal data from their creation to destruction to ensure that the Group respects privacy concerns while using big data to drive business value.

Representatives from all departments in Hong Kong have attended compliance trainings on personal data privacy given by the legal team. In the year ended 31 March 2018, trainings were provided to the following groups of employees:

- marketing;
- customer service;
- e-commerce;
- management trainees; and
- new joiners.

The Group's legal team also attended external seminars and workshops on a regular basis to stay up-to-date on developments in this important area. Changes and additions to the privacy policy and additional control measures are implemented on a timely basis. During the year, we updated our privacy policy to provide transparency to the public on CCTV cameras installed in our stores. We also developed a CCTV policy to regulate the access, security and retention of the images captured on CCTV cameras.

As the Group upgrades its information technology systems, e-commerce and customer relationship management platforms, an extensive data inventory and data mapping exercise is underway with a view to better protect and control data processing activities.

Apart from personal data protection, we have also devised a compliance manual for due compliance with the Trade Descriptions Ordinance. Apart from the legal requirements, the manual highlights the need for reasonable due diligence in the procurement and quality control process. The manual also includes a full set of compliance checklists, which provide colleagues with practical guidance to help them fulfil their duties. The legal team regularly reviews and improves marketing and promotional materials as well as product information to ensure that the information provided to consumers are accurate and not misleading.

## CORPORATE GOVERNANCE REPORT

To ensure that our employees are properly trained in the legal requirements of trade description and trade practices, the legal team facilitated workshops for the following groups of colleagues during the year:

- category management and product development;
- internal audit and management services;
- marketing;
- e-commerce;
- training and people development;
- management trainees; and
- new joiners.

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 controls with regard to the handling and disclosure of such inside information.

### 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 2018, The Group passed the renewal and surveillance audits of ISO 9001: 2008 or the latest ISO 9001: 2015 certificates for the below departments:

Company	Department	ISO version/ Audit nature	Audit scope	Pass audit date
Sa Sa dot Com Limited	Whole unit	ISO 9001:2008 Surveillance audit	Provision of E-commerce Services For Cosmetic Products	May 2017
Sa Sa Cosmetics Company Limited	Logistics	ISO 9001: 2015 Surveillance audit	Provision of Logistic Services Including Warehousing, Packaging and Local Distribution Of Cosmetics Products and Its Accessory Materials	February 2018
Sa Sa Cosmetics Company Limited	Category Management & Product Development, Marketing	ISO 9001: 2008 Surveillance audit	Category Management, Products Purchasing and Promotion For Cosmetic, Health, Personal Care Products And Its Accessories	November 2017

The Group is fully committed to quality management and will continue taking steps to attain ISO certification 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. During the year, the Group engaged an external consultant to carry out an information security risk assessment and control review project for our Information Technology Departments and we strive to attain ISO 27001 certification in the next financial year. 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 internal and external 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 members of the IAMS Department for the year ended 31 March 2018:

Participation in Trainings and Continuous Professional Development of the IAMS Department							
	Business & General Management	Governance, Risk & Control	IT/Information Security	Fraud	Quality Management	Online Self-study	
No. of events	7	2	1	2	1	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 in achieving its objectives and is integral to its daily operations and activities. Therefore, maintaining a stable and secured IT infrastructure and staying in step with new and disruptive technology is critical to the Group's sustainability and growth and therefore the Group has been 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. More details on the management of these risks are set out in the Enterprise Risk Management Report on pages 142 to 148 of this Annual Report.

## 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 2018, 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.

## Communication with Shareholders

### 2018 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 2018 will be held on or around Monday, 3 September 2018. 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 23 July 2018.

### 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 104 to 116 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 104 to 116 of the "Investor Relations Report" in this Annual Report.

### Other Shareholder-related Information

For information regarding type and aggregate shareholding, details of the 2017 annual general meeting, upcoming important dates and year-end public float capitalisation, please refer to pages 104 to 116 of the "Investor Relations Report" in this Annual Report.

## Directors' Acknowledgement

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