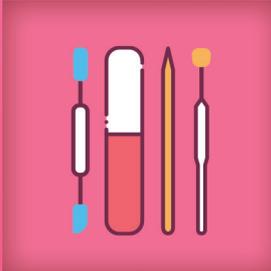
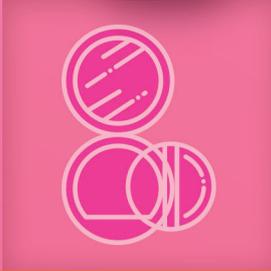


A NEW ENDLESS BEAUTY



ANNUAL REPORT 2019/20

LOG IN



ABOUT SA SA

Established in 1978, Sa Sa is a leading beauty product retailing group in Asia.

Listed on the Main Board of The Stock Exchange of Hong Kong Limited in 1997 (Stock code: 178), our business covers Hong Kong and Macau SARs, Mainland China and Malaysia. We position ourselves as one-stop cosmetics specialty stores with a business focus on "Beauty". Our diversified portfolio extends to about 18,000 products from more than 700 international brands of skincare, fragrance, make-up, hair care, body care products, and health and beauty supplements, including over 180 own brands and other exclusive international brands.

Our diversified e-commerce platforms offer round-the-clock online shopping services along with comprehensive product information to customers from over 100 countries. In line with the new retail era, we are integrating our physical and e-commerce presence, striving to provide a refined and seamless O2O customer experience.

OUR VISION

Making Life Beautiful



OUR MISSION

Realising our "Making Life Beautiful" vision, we:

- >> Create maximum returns for our shareholders
- >> Empower our employees to grow and excel
- >> Develop strategic partnerships with our suppliers
- >> Offer our customers the best products and shopping experiences
- >> Foster dialogue with our communities to address their needs





Design Concept

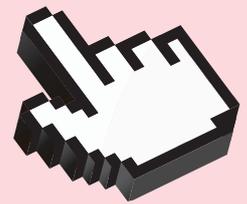
Guided by its "Making Life Beautiful" principle, Sa Sa strives to establish a personalised world of beauty for each customer, creating a rich flow of exquisite legends and stories.

The design concept of "A New Endless Beauty" expresses Sa Sa's active engagement in smart living. Connecting our customers with our online platform enhances self-confidence and beauty, leading customers towards an elegant form of interactive living.

Sa Sa strives to develop its "New Retail" model by capitalising on its diversified and continuously-adapting product portfolio. Customers can reveal their personality and express their inner character through their choice of ideal beauty products, transcending the fixed patterns of the past while entering a new world of endless beauty brimming with the promise of an eternally beautiful life.



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Financial Highlights

Continuing operations only

For the year ended 31 March 2020



[^] Store Impairments refer to provision for impairment of retail store assets (include right-of-use assets and property, plant and equipment) of continuing operations made in accordance with the Hong Kong Accounting Standard 36

Our Footprint in Asia

As of 31 March 2020

235
Points of sales

Mainland China

44

Retail sales growth **12.1%**

Malaysia

79

Retail sales growth **3.6%**

Hong Kong & Macau SARs

112

Retail sales growth **34.6%**

Remark : The above data is settled in local currency

Group Geographical Sales Mix*

For the year ended 31 March 2020



* Continuing operations only

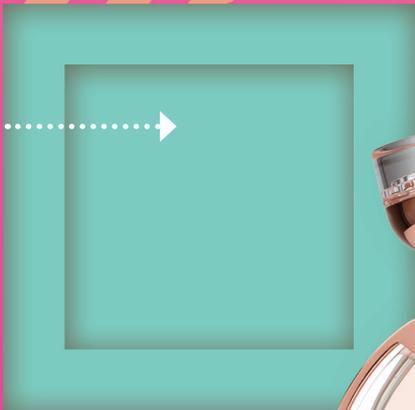
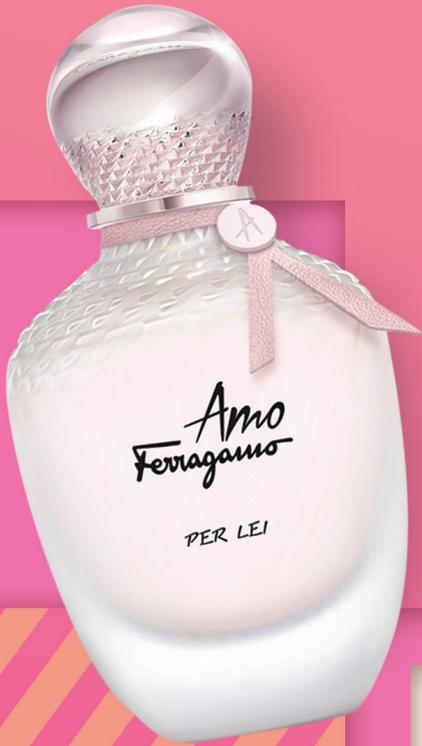
BEAUTIFUL PLATFORMS

LINK MORE

We will make use of our integrated customer database in coordination with our physical stores and online presence to provide multiple touch point services to customers.

THE BESTSELLERS







Making Life
Beautiful



As an iconic brand with over 40 years of history, Sa Sa delivers values to our shareholders, customers, employees, suppliers and community in the long term, with the aim of realising our **Making Life Beautiful** vision.

Our Strategy

Our Strategic Priorities

Working in a sustainable and responsible manner to bring long-lasting value to our stakeholders, through sound corporate governance, strict regulatory compliance and proactive risk management.



SUPPLIERS

We develop strategic partnerships with our suppliers and business partners to provide best-in-class products and services, as well as to maintain our leading position in the industry by offering exclusive products in the market.

See page 98-103



EMPLOYEES

We equip our employees with the best skillsets to address current and future challenges. We empower them to pursue personal and career prospects and support them by promoting a balanced and joyful lifestyle.

See page 112-123



CUSTOMERS

We strive to fulfil customer needs by sourcing quality and diversified product offerings as well as by providing enjoyable shopping experiences catering to fast-changing customer behaviour.

See page 98-103



COMMUNITIES

We create positive social impact and address social issues by leveraging our resources and developing strategic partnerships with community groups, promoting beauty in our communities.

See page 124-130



SHAREHOLDERS

We capture business opportunities to enhance our financial performance with stable and sustainable returns.

See page 136-144

Sa Sa is committed to fostering sustainable business growth and bringing long-lasting value to our stakeholders, thereby fulfilling our "Making Life Beautiful" aspiration. We create maximum returns for our **shareholders**. We empower our **employees** to grow and excel. We maintain strategic partnerships with our **suppliers**. We offer our **customers** the best products and shopping experiences. And we maintain dialogue with our **communities** to address their needs. Throughout our business, we strive to operate in a responsible and sustainable manner, generating the best value for business and society as a whole.

Our 3 Key Pillars – Customers, Products & Services and Customer Touch Points



Customers

We place customers at the heart our business – We strive to delight our customers with diversified quality products and dedicated multi-brand beauty advice and services. Our retail brand, products and services are well received and supported by our customers.



* E-commerce includes Sasa.com, mobile app, WeChat mini-programme and third-party platforms



Products & Services

As a leading one-stop cosmetics specialty store, we provide an extensive assortment of cosmetics and beauty products at competitive prices to our customers. Our product sourcing and development team optimises our portfolio by accelerating launches of popular products and closely managing product life cycles. As of 31 March 2020, the Group offers:



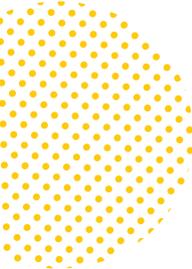
In addition to diversified product offerings, our team of well-trained beauty consultants serve the needs of individual customers by offering personalised beauty advices across different brands and by assisting our customers to choose the most suitable products under one roof. This approach largely differentiates Sa Sa from other single-brand shops. Leveraging the emergence of social commerce, our beauty consultants extend their services to customers via online platforms.



Customer Touch Points

We engage and interact with our customers through multiple customer touch points, making progress every day to enhance their shopping experience. We seek to offer more convenient and dedicated shopping options as we move into the new retail era.

Retail Stores across Asia

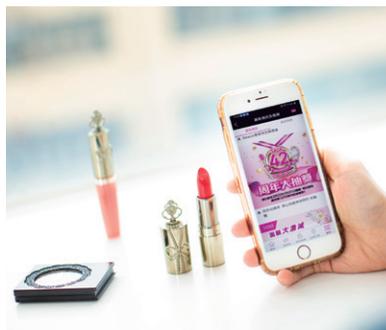


Online Presence

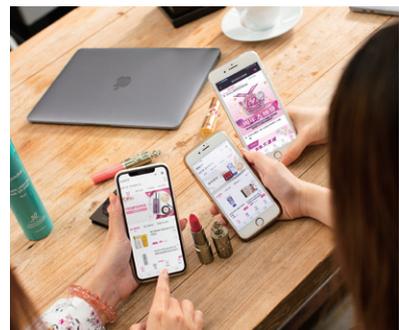
Sa Sa Website – Sasa.com



Sa Sa Mobile App



WeChat mini-programme



Third-party Platforms



HKTVMall



JD.com



Kaola



Tmall



Xiaohongshu



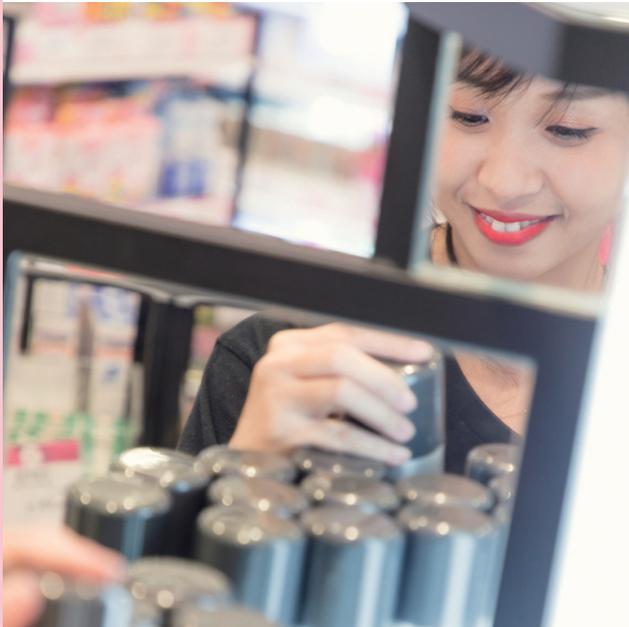
Shopee

 Our Business Model



 Our Business Strengths

 Strong Sourcing Team



♥ 2020 Likes

- # Good relationships with reliable suppliers
- # Strong market sense, keeping us abreast of market trends
- # Effective product strategy driven by big data analysis

 Strong Brand Reputation



♥ 2020 Likes

- # Widely recognised by creditable institutions

 Multi-brand Beauty Advice



♥ 2020 Likes

- # Well-trained professional beauty consultants
- # Services extended to selected online platforms as social commerce grows

 Hong Kong SAR's Unique Edge vs China's Business Environment



♥ 2020 Likes

- Hong Kong SAR**
 - # Authentic products
 - # Price advantage with no tariffs
 - # Fast new product roll-out with wide range of products
- Mainland China**
 - # Slower product roll-out due to cumbersome product registration
 - # Tariffs imposed

Exclusive Distributorship Logos



Our Business Strategies

Embracing the New Retail Era

We live in a changing world – Customer behaviour and preferences are changing. Technologies are changing. A new style of doing retail business is emerging. Sa Sa is therefore moving in a strategic direction that integrates bricks-and-mortar and e-commerce business. The result is our New Retail Model.

By leveraging our current competitive strengths, and making use of big data, new tools and technologies, we aspire to provide a personalised customer journey for our customers. Through this evolution, customers can enjoy a seamless shopping experience at any time and anywhere with no boundaries. Our purpose with the New Retail Model is to understand our customers better and to meet their changing needs. Ultimately, we aim to improve customer satisfaction and increase loyalty via stronger customer engagement.

This new retail blueprint will position us to capitalise on the latest trends in the new retail era. It will enable us to further expand our customer base and markets, achieve sustainable business performance, and fortify our position as the leading cosmetics retailing group in Asia. We expect the benefits of this new retail blueprint to be realised progressively in the mid-to-long term.

Our New Retail Blueprint



Goals in the New Retail Blueprint

- 

1 CUSTOMERS

With better understanding of our customers' shopping patterns via the use of big data and analytics, we strive to provide professional multi-brand beauty advice and a personalised shopping experience along with sound customer relationship management, thereby creating a seamless customer experience.
- 

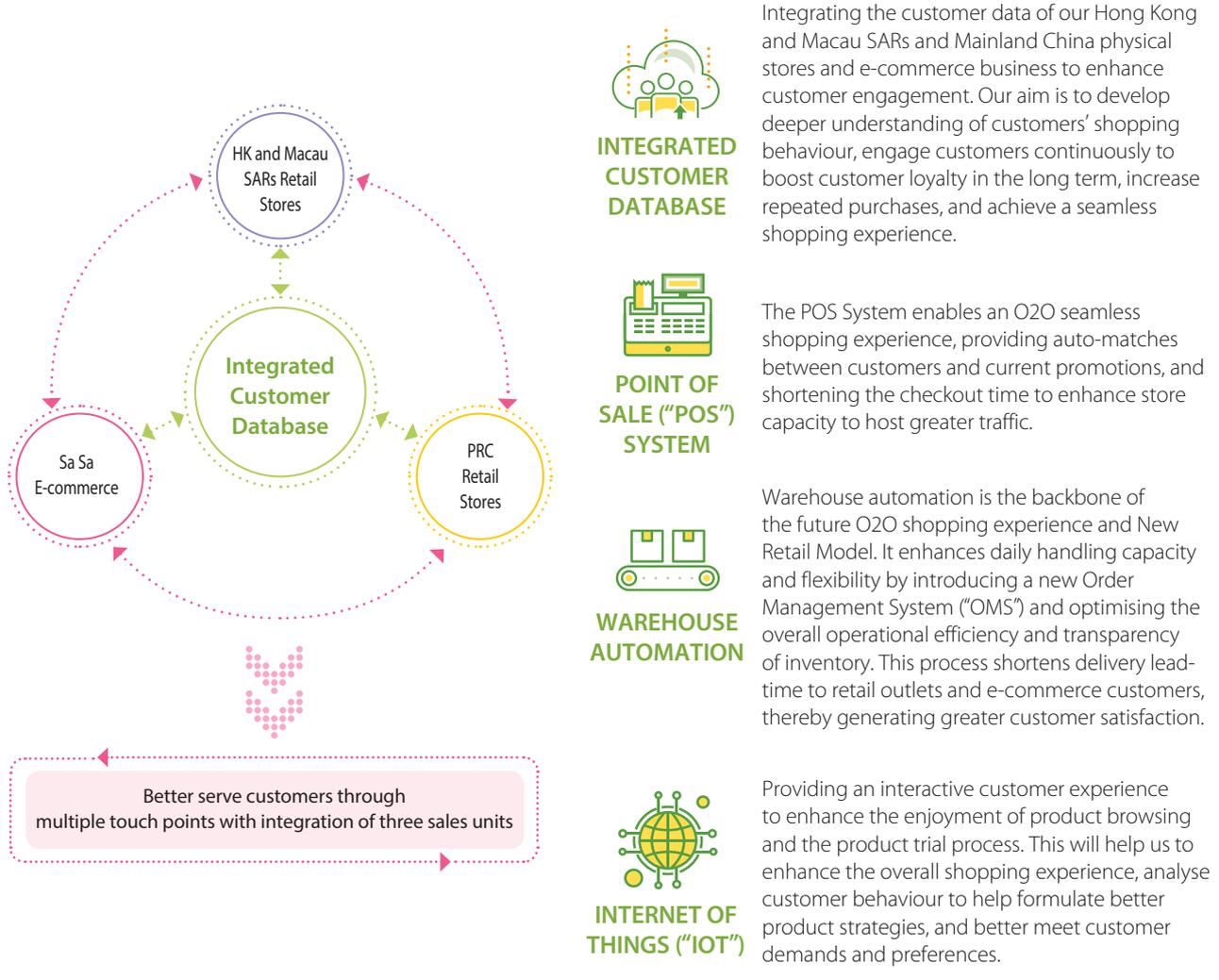
2 CUSTOMER TOUCH POINTS

Through integrating our physical stores and online business, our multiple digital and physical touchpoints will work together seamlessly, enabling us to serve our customers better with increasingly convenient shopping solutions.
- 

3 PRODUCTS & SERVICES

Our goal is to adjust our product portfolio more strategically by responding to the needs of our customers, continuing to offer highly diversified products at highly competitive prices, and by capturing the latest trends and customer preferences. We also aim to upgrade our customer services to cater to changes in shopping behaviour, thereby offering seamless online-and-offline shopping experiences.

Our technology enhancement sets out to create a more dedicated and seamless customer experience



Risks and Challenges

Embracing the new retail era, Sa Sa is moving in a strategic direction that integrates bricks-and-mortar and e-commerce business. Challenges that may hinder the execution of the New Retail Blueprint are:

CHALLENGES IN TECHNOLOGY ENHANCEMENT

Cybersecurity and personal data privacy risk

The need to better manage cybersecurity and personal data privacy risk due to the increasing number of leaks and the global trend towards more stringent regulations.

IT capacity

Enhancement of IT capacity is imminent in order to fully leverage cooperation with third parties and to increase our exposure to potential customers and to drive sales.

IT infrastructure and tools

Advancement of IT infrastructure and tools is required to manage compatibility issues and smooth implementation.

Talent acquisition

Competition for talents is tough – active development of new channels to retain and recruit talents is required.

ASSOCIATED RISKS

Team chemistry throughout the organisation

Good rapport is essential to keep everyone aiming for the same goal.

Key performance indicators (“KPIs”) versus reward system

Efforts are needed to avoid mismatches between KPIs and the reward system which might affect the launch of the new business model.

Business process versus organisational structure

Improvement of the company’s flexibility and adaptability equips the Group to stand out in the everchanging business environment.

See page 89-91



BEAUTIFUL EXPERIENCES

SHOP SIMPLE

We continue to formulate strategies to cater to the changing patterns in consumer behaviour, preferences and expectations by using big data for business and product analysis.

ADD TO BAG





Our Milestones

1978

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



1990

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



1992

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



1997

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

1998

- First store in Malaysia.



2000

- Opening of the first La Colline specialty store.
- Launch of Sasa.com to offer round-the-clock online shopping of beauty products.

2002

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



2005

- First store in Shanghai, Mainland China.



2006

- First Suisse Programme beauty counter in Mainland China.

2009

- First Suisse Programme specialty store in Hong Kong SAR.



2011

- The Group's 200th store in Asia.

2013

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





2014

- Title sponsor for the "Sa Sa Ladies' Purse Day" for the 10th consecutive year.

2015

- The Group launched a new brand image, with three women's side silhouettes echoing the brand to care for women at different ages, making them always beautiful.



2016



- Strategic partnership with Tencent and JD Group.
- First O2O Store opened in Shanghai.

2017

- Sa Sa Mall was launched on WeChat.
- Grand opening of Sa Sa's e-shop on Tmall Global, Kaola and Xiaohongshu.
- Launch of house brand — Eleanor in Hong Kong SAR, with its first exclusive store in Sa Sa Supreme in Causeway Bay.



2018

- 40th anniversary of the Group. Brand new "Sa Sa 40th Anniversary • Beauty Land" pop-up store, new store image and uniform design were launched.
- The Group launched the co-branded "BOC Sa Sa Dual Currency Credit Card" with Bank of China (Hong Kong) and Union Pay International.
- Collaboration with Taobao Global.
- Sa Sa store debuted at Hong Kong West Kowloon Station of Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section) to leverage the development of the Greater Bay Area.



2019

- Opening of Sa Sa Hong Kong Flagship Store on HKTVMall.
- Being the first physical cosmetic store to launch Seagrape Deep Hydrating Water Gel Mask of beauty brand FAN BEAUTY established by the Chinese megastar Fan Bingbing globally.
- Launched WeChat mini-programme.



2020

- Partnership with Shopee opening first Sa Sa e-shop in Southeast Asia.

BEAUTIFUL SERVICES

MOVE ACTIVELY

We aim 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.

PROCESSING





「只需14天，
肌膚水嫩柔滑、健康透亮」

趙定欣



Our Awards and Recognitions

Corporate Governance and Management



The Group received the “Certificate for Excellence in Investor Relations” in the “IR Magazine Awards – Greater China 2019” by the internationally renowned IR Magazine, recognising our ceaseless efforts and commitment to investor relations from the investor community. Ms Ming Chan, our Director, Corporate Communications and Investor Relations, was also named the “Rising Star”.

30 Years of Corporate Governance Awards in 2019

Sa Sa has been named “30 Years of Asia’s Outstanding Company in HK in 2010s” by Asiamoney, an authoritative regional financial magazine, at its “30 Years of Corporate Governance Awards in 2019”.



The Group has garnered two awards in the “2019 Galaxy Awards” with the theme “Instant Beauty” Annual Report 2018/19, namely “Gold in Annual Reports (Cosmetics)” and “Honors in Annual Reports (Retail – Cosmetics)”. In addition, with the theme “Eternal Beauty”, Sa Sa’s 2017/18 annual report has received “Honours Award” in the category of Traditional Annual Report in Beauty and Cosmetics at the “2019 International ARC Awards”.

Brand Recognition

The Group has been awarded the “Most Engaging Employer Brand 2019” organised by LinkedIn, the professional networking platform, in recognition of the implementation of our best-in-class branding strategies and content that have elevated our brand to be top choice within the market and has differentiated ourselves from the peers.



Rediscover HR & Talent - from engagement to management



Sa Sa received the “Best Employee Wellness Award – Platinum” at Best HR Awards 2019 by CTgoodjobs in recognition of the Group’s effort in caring overall employee wellbeing with improved staff engagement and performance, boosting productivity in the long run.

World Branding Awards 2019

Sa Sa received the “Brand of the Year Award” for the third consecutive year at the “World Branding Awards 2019” by World Branding Forum. Sa Sa is the only brand selected in Hong Kong under the category of Health and Beauty Retailer for the Awards this year.

Q 嘜成立41周年暨頒發典禮 Q 嘜人氣品牌大獎2019



The Group was awarded the “Q-Mark Elite Brand 2019 (Cosmetic Category)” once again at the ceremony organised by Hong Kong Q-Mark Council.

Service Excellence

The Group has received a total of seven accolades from the Hong Kong Retail Management Association (“HKRMA”) in the “2019 Service and Courtesy Award” and “Mystery Shopper Programme”:



Mystery Shopper Programme

- Excellence Award — La Colline Shop
- Service Retailers of the Year (Beauty Products/Cosmetics Category Award) – La Colline Shop

2019 Service & Courtesy Award

- Top 10 Outstanding Service Retail Brands Award
- Excellent Service Star – three teammates
- Individual Gold Award – Supervisory Level (Health & Personal Care Products Category)
- Individual Gold Award – Junior Frontline Level (Health & Personal Care Products Category)
- Individual Silver Award – Junior Frontline Level (Health & Personal Care Products Category)



Sa Sa’s WeChat Mini-Programme garners “WeChat Power – Annual Smart Service Award”, laying a solid foundation for our model for new retail model.



Corporate Social Responsibility



Hang Seng Corporate Sustainability Index Series Member 2019-2020

The Group has been selected as a constituent member of "Hang Seng Corporate Sustainability Benchmark Index" since 2011.



香港環境卓越大獎 Hong Kong Awards for Environmental Excellence

Sa Sa has garnered the Hong Kong Awards for Environmental Excellence (HKAEE) – Gold Award 2019 in the sector of shops and retailers jointly organised by the Environmental Campaign Committee, Environmental Protection Department and other organisations in recognition of our tremendous efforts in preserving the beauty of our planet as a sustainable place with green management and innovation in the past decades. We are also the first local cosmetic retailer to receive the award.



Organised by the Hong Kong Council of Social Service, the Caring Company Scheme aims at promoting corporate social responsibility among local companies and recognising their contributions for the community, employees and the environment. Being awarded the Caring Company logo for 15 consecutive years, Sa Sa received the "15 Year Plus Caring Company Logo" in 2020, in recognition of its contributions in building a cohesive society.



We were accredited as Manpower Developer from 2011 to 2020 by the Employees Retraining Board ("ERB").

Awards Presented to Sa Sa's Exclusive Products

HONG KONG

COSMOPOLITAN
Best of the Best Beauty Awards 2019

- **Best of the Best Collection Awards 2019**
Anti-aging - Rejuvenating Collection (1st Runner-up)
SUISSE PROGRAMME Advanced Cellular Series
- **Best of the Best Collection Awards 2019**
Body Shaping Collection (1st Runner-up)
Collistar Body Shaping Collection
- **Best of the Best My Favorite Product Awards 2019**
Deep Cleansing Mask (1st Runner-up)
AHAVA Instant Detox Mud Mask
- **Best of the Best My Favorite Product Awards 2019**
Acne Treatment (2nd Runner-up)
Soo Beauté Acne Spot Dressing
- **Best of the Best My Favorite Product Awards 2019**
Lip Treatment (2nd Runner-up)
Haruhada Urea Lip Balm
- **Best of the Best Collection Awards 2019**
Body Shaping Collection (2nd Runner-up)
MÉTHODE JEANNE PIAUBERT Anti-Cellulite Body Shaping Collection
- **Best of the Best My Favorite Product Awards 2019**
Eye Mask (2nd Runner-up)
It'S SKIN Pink Me Under Eye Patches
- **Best of the Best My Favorite Product Awards 2019**
Sebum Control (2nd Runner-up)
WellDerma Teatree Soothing Ampoule Mask
- **Best of the Best My Favorite Product Awards 2019**
UV Protection For Face (2nd Runner-up)
SUISSE PROGRAMME UV Protective Veil SPF50 PA++++



SINGAPORE



NYLON Beauty Hit List 2019

- **Best Face Scrub/Peel: Winner**
Dr.G Brightening Peeling Gel
- **Best Loose Powder: Winner + Editor's Pick**
Cyber Colors Anti-Shine Prime Pact
- **Best Men's Fragrance: Editor's Pick**
Banana Republic Slate EDT

MALAYSIA

Cosmo Beauty Editor's Pick 2019

- **Best Body Scrub (Editor's Pick)**
Collistar Brightening Talasso Scrub
- **Best Brow Shaper (Editor's Pick)**
theBalm Furrowcious Brow Pencil
- **Best Contouring (Editor's Pick)**
Pupa Contouring & Strobing Powder Palette
- **Best Frizz Fighter (Editor's Pick)**
Giovanni Frizz Be Gone
- **Best Makeup Remover (Editor's Pick)**
Collistar 3-in-1 Micellar Milk
- **Best Toner (Editor's Pick)**
Teaology Rose Tea Toning Essence
- **Best Travel Fragrance (Editor's Pick)**
Mercedes-Benz The Move EDT



MALAYSIA (CONTINUED)

CITTA BELLA Malaysia Beauty Awards 2019

- **Best Age Defying**
Dr Wu Intensive Repairing Serum with Squalene
- **Best Blusher & Contour Palette**
Cyber Colors V-Shape Contour Wand
- **Best Body Care**
Collistar Intensive Firming Cream Plus
- **Best Body Care**
Swiss Rituel Natural Fermented Cocktail Body Butter
- **Best Cleanser**
Dr Wu Mild-O Gentle Cleansing Mousse
- **Best Cleanser**
Teaology Rose Tea Moisturising Cleansing Milk Oil
- **Best Concealer & Primer**
Cyber Colors Luminous Pearly Primer
- **Best Eyecare**
Collistar Eye Contour Hyaluronic Acid + Peptides
- **Best Eyeshadow**
Cyber Colors Styling Eyeshadow Pen
- **Best Foundation**
Cyber Colors Black Label Essence Cover Stick Foundation SPF50+PA++++
- **Best Hydrating**
Dr. G Hydra Cream Full of Water
- **Best Porecare**
Dr Young AC Control Out Spot Stop Serum

- **Best Porecare**
23.5°N Pineapple Exfoliating Nightly Concentrate
- **Best Porecare**
Dr. G A-Clear Spot Repairing Serum
- **Best Sunscreen**
Dr Wu UV Hydrating Lotion with Hyaluronic Acid SPF50+
- **Best Sunscreen**
Cell Fusion C Laser Sunscreen 100 SPF50+/PA+++

Eh! Beauty Awards 2019

- **Best Body Scrub**
Teaology Green Tea Reshaping Body Scrub
- **Best CC Cream**
Cyber Colors Tone Up CC Cream SPF30PA+++
- **Best Eyebrow**
Cyber Colors Brow Shaping Kit (01 Natural Brown)
- **Best Eyeshadow**
Cyber Colors Styling Eyeshadow Pen (03 Sun Dance)
- **Best Eye Primer**
Artdeco Eye Shadow Base
- **Best Lipstick**
Artdeco High Performance Lipstick



Ten-Year Financial Summary

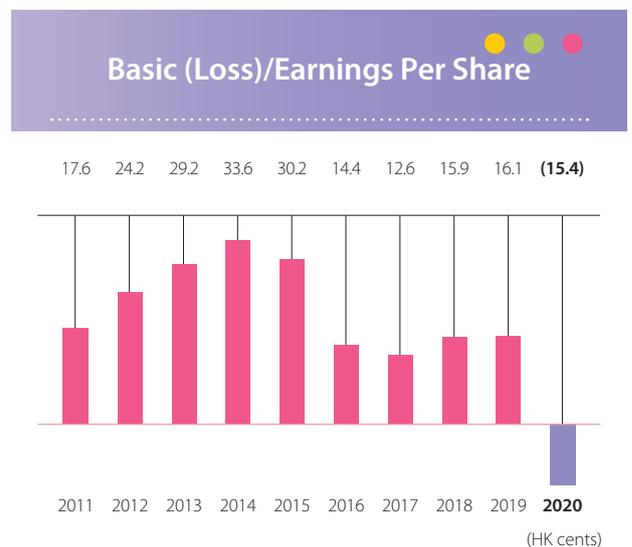
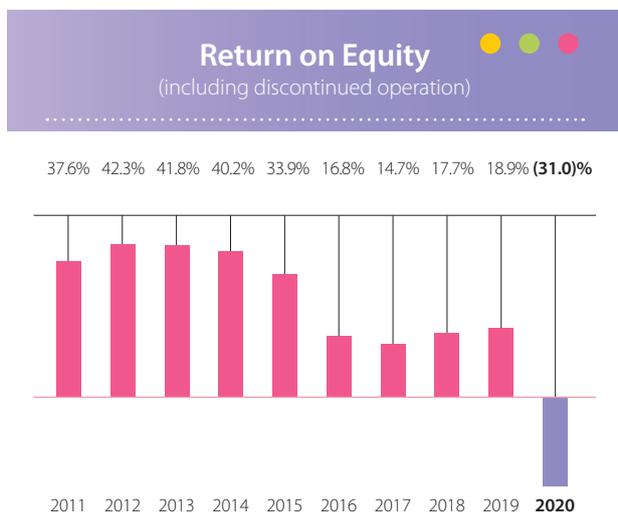
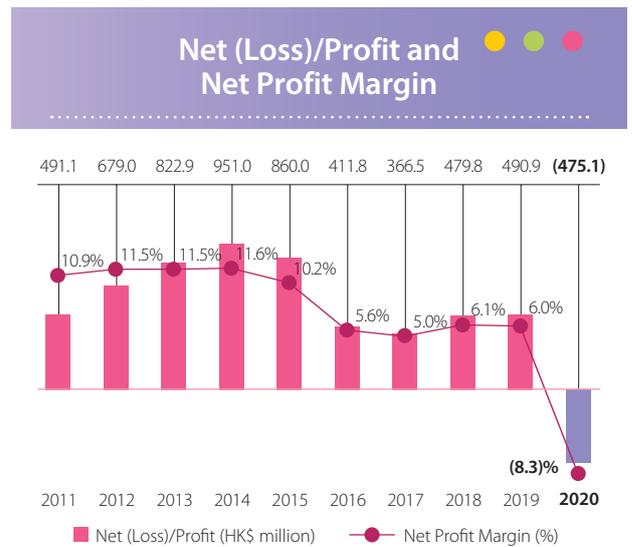
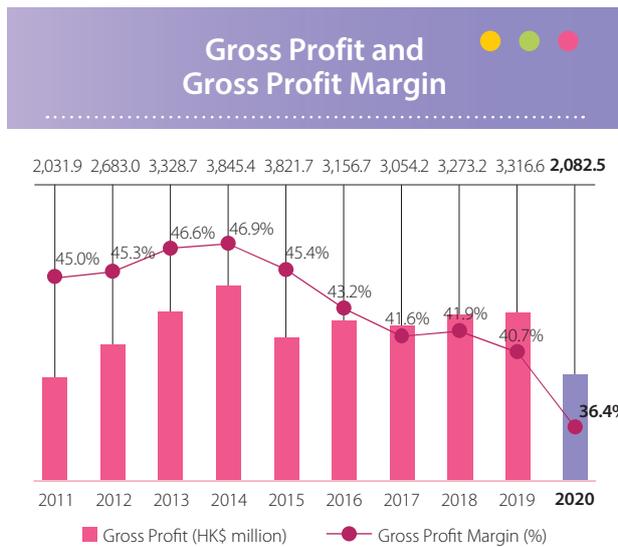
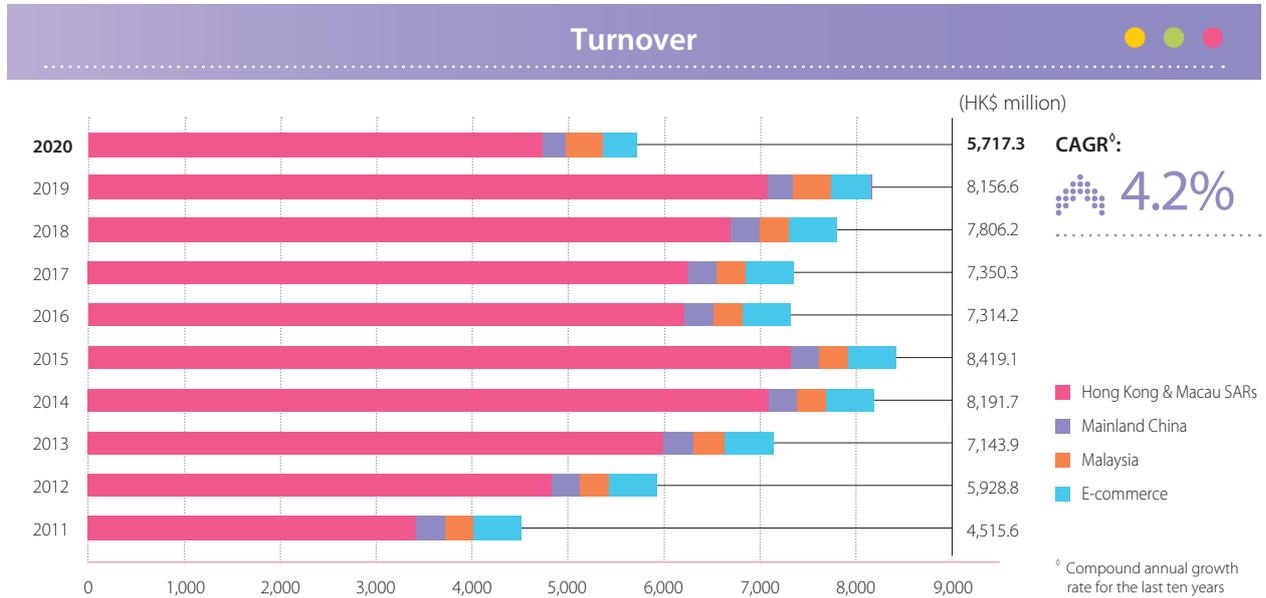
Consolidated Income Statement

	< Note 2 & 3> 2020 HK\$'000	< Note 3> 2019 HK\$'000 Restated	< Note 3> 2018 HK\$'000 Restated	< Note 3> 2017 HK\$'000 Restated	< Note 1 & 3> 2016 HK\$'000 Restated	< Note 1 & 3> 2015 HK\$'000 Restated	< Note 1 & 3> 2014 HK\$'000 Restated	< Note 1 & 3> 2013 HK\$'000 Restated	< Note 1 & 3> 2012 HK\$'000 Restated	< Note 1 & 3> 2011 HK\$'000 Restated
Turnover										
– Continuing operations	5,717,283	8,156,597	7,806,163	7,350,349	7,314,151	8,419,147	8,191,724	7,143,924	5,928,772	4,515,604
– Discontinued operations	253,222	232,562	424,611	395,803	477,093	532,899	539,024	509,963	467,876	379,714
	5,970,505	8,389,159	8,230,774	7,746,152	7,791,244	8,952,046	8,730,748	7,653,887	6,396,648	4,895,318
Gross profit										
– Continuing operations	2,082,465	3,316,630	3,273,230	3,054,161	3,156,691	3,821,682	3,845,400	3,328,664	2,682,968	2,031,932
– Discontinued operations	121,659	104,439	195,112	174,657	216,137	242,978	257,542	251,417	225,189	186,197
	2,204,124	3,421,069	3,468,342	3,228,818	3,372,828	4,064,660	4,102,942	3,580,081	2,908,157	2,218,129
Gross profit margin										
– Continuing operations	36.4%	40.7%	41.9%	41.6%	43.2%	45.4%	46.9%	46.6%	45.3%	45.0%
– Discontinued operations	48.0%	44.9%	46.0%	44.1%	45.3%	45.6%	47.8%	49.3%	48.1%	49.0%
	36.9%	40.8%	42.1%	41.7%	43.3%	45.4%	47.0%	46.8%	45.5%	45.3%
Operating (loss)/profit										
– Continuing operations	(553,425)	561,739	563,484	435,299	489,735	1,013,245	1,126,819	984,777	817,913	592,884
– Discontinued operations	(40,036)	(20,296)	(38,472)	(40,006)	(28,660)	(21,457)	(13,313)	2,392	10,461	15,383
	(593,461)	541,443	525,012	395,293	461,075	991,788	1,113,506	987,169	828,374	608,267
(Loss)/profit for the year										
– Continuing operations	(475,082)	490,917	479,778	366,476	411,841	859,962	950,986	822,900	678,955	491,050
– Discontinued operations	(40,854)	(20,165)	(39,658)	(39,771)	(28,371)	(21,151)	(15,751)	2,734	10,754	18,220
	(515,936)	470,752	440,120	326,705	383,470	838,811	935,235	825,634	689,709	509,270
Profit margin										
– Continuing operations	-8.3%	6.0%	6.1%	5.0%	5.6%	10.2%	11.6%	11.5%	11.5%	10.9%
– Discontinued operations	-16.1%	-8.7%	-9.3%	-10.0%	-5.9%	-4.0%	-2.9%	0.5%	2.3%	4.8%
	-8.6%	5.6%	5.3%	4.2%	4.9%	9.4%	10.7%	10.8%	10.8%	10.4%

Consolidated Statement of Financial Position

Total assets	3,267,187	3,406,480	3,577,048	2,929,077	2,971,503	3,390,073	3,237,427	2,797,241	2,466,500	1,876,511
Total liabilities	(1,602,875)	(919,872)	(1,094,208)	(709,911)	(683,217)	(915,565)	(912,298)	(821,767)	(835,676)	(523,818)
Net assets	1,664,312	2,486,608	2,482,840	2,219,166	2,288,286	2,474,508	2,325,129	1,975,474	1,630,824	1,352,693
Shareholders' funds										
Share capital	310,319	309,560	303,885	299,444	289,213	284,468	284,306	282,691	281,467	280,253
Reserves	1,353,993	2,177,048	2,178,955	1,919,722	1,999,073	2,190,040	2,040,823	1,692,783	1,349,357	1,072,440
Total equity	1,664,312	2,486,608	2,482,840	2,219,166	2,288,286	2,474,508	2,325,129	1,975,474	1,630,824	1,352,693

Continuing operations



Consolidated Statement of Cash Flows

	< Note 2 & 3> 2020 HK\$'000	< Note 3> 2019 HK\$'000 Restated	< Note 3> 2018 HK\$'000 Restated	< Note 3> 2017 HK\$'000 Restated	< Note 1 & 3> 2016 HK\$'000 Restated	< Note 1 & 3> 2015 HK\$'000 Restated	< Note 1 & 3> 2014 HK\$'000 Restated	< Note 1 & 3> 2013 HK\$'000 Restated	< Note 1 & 3> 2012 HK\$'000 Restated	< Note 1 & 3> 2011 HK\$'000 Restated
Net cash generated from operating activities (Note 4)	648,567	346,233	748,214	356,723	578,922	1,069,606	1,021,080	846,245	639,477	443,103

Per Share Data and Key Ratios

Basic (loss)/earnings per share (HK cents)										
- Continuing operations	(15.4)	16.1	15.9	12.6	14.4	30.2	33.6	29.2	24.2	17.6
- Discontinued operations	(1.3)	(0.7)	(1.3)	(1.4)	(1.0)	(0.7)	(0.6)	0.1	0.4	0.6
	(16.7)	15.4	14.6	11.2	13.4	29.5	33.0	29.3	24.6	18.2
Diluted (loss)/earnings per share (HK cents)										
- Continuing operations	(15.4)	16.1	15.9	12.6	14.4	30.2	33.5	29.1	24.0	17.5
- Discontinued operations	(1.3)	(0.7)	(1.3)	(1.4)	(1.0)	(0.7)	(0.6)	0.1	0.4	0.6
	(16.7)	15.4	14.6	11.2	13.4	29.5	32.9	29.2	24.4	18.1
Return on equity	-31.0%	18.9%	17.7%	14.7%	16.8%	33.9%	40.2%	41.8%	42.3%	37.6%
Dividend per share (HK cents)										
Basic	-	16.0	14.5	13.0	14.0	14.0	13.5	7.5	5.5	4.0
Special	-	-	3.0	4.0	9.5	9.5	10.0	13.5	12.0	10.0
Total	-	16.0	17.5	17.0	23.5	23.5	23.5	21.0	17.5	14.0
Dividend payout ratio	-	105.2%	120.7%	154.9%	176.1%	79.7%	71.4%	71.9%	71.4%	77.1%
Dividend yield as at 31 Mar	-	6.0%	4.3%	5.6%	9.8%	6.2%	3.8%	2.8%	3.9%	3.5%
Closing share price as at 31 Mar (HK\$)	1.16	2.68	4.06	3.06	2.41	3.79	6.22	7.51	4.50	3.97
Price/Earnings (times)	N/A	17.4	27.8	27.4	17.9	12.8	18.8	25.7	18.3	21.8
Net assets value per share (HK\$)	0.54	0.80	0.82	0.74	0.79	0.87	0.82	0.70	0.58	0.48
Current ratio (times)	1.87	3.34	2.97	3.81	3.90	3.31	3.05	2.82	2.47	3.09
Gearing ratio (defined as the ratio of total borrowings to total equity)	-	-	-	-	-	-	3.4%	-	-	-

Operational Data

Number of retail outlets for the continuing operations	235	253	245	243	236	234	229	211	202	165
Total gross retail area for the continuing operations (rounding to the nearest thousand sq ft) (Note 5)	477,000	526,000	529,000	544,000	530,000	539,000	562,000	489,000	440,000	309,000
Stock turnover days	101	104	102	99	91	103	108	111	125	109
Number of employees (rounding to the nearest hundred)	3,700	4,700	4,800	4,900	4,900	5,000	5,000	4,800	4,300	3,500

Note:

- Prior to 1 April 2016, the Group recognised certain incentives received from suppliers as part of its revenue or offset against the Group's selling expenses. During the year end 31 March 2017, the Group has revisited its arrangements with its suppliers and considered incentives received from suppliers for which the Group did not provide any separable identifiable promotion service, should be accounted for as a reduction of its cost of sales. Adjustments have been made to reclassify the comparative information to conform with the current year presentation.
- The Group has adopted HKFRS 16 retrospectively from 1 April 2019, as permitted under the special transition provisions in the standard. Comparative information has not been restated, and thus comparative figures may not be comparable as comparative information were prepared under HKAS 17 "Leases".
- Due to the business of retailing of cosmetic products in Singapore was discontinued during the year ended 31 March 2020, the results of Singapore retail operation was classified as a discontinued operation and the comparative information in 2011 to 2019 has been restated.
- The Group has adopted HKFRS 16 "Leases" from 1 April 2019, the payment of lease liabilities (including interest) are classified as financing activities rather than as operating activities in previous years.
- The information on retail space provided is intended to allow the readers to appreciate the growth in retail network and the size of retail space only. As there are significant variation in sales per square foot between stores of different store sizes, as well as stores in different countries and location, the retail space information provided should not be used to analyse the trend on sales per square foot.

BEAUTIFUL **FUTURE**

ENJOY CONVENIENCE

We are committed to embracing the New Retail era, and to becoming increasingly customer-centric for our future development.

DELIVERY





Chairman's Statement



“We believe that with the close partnership of our management and staff, and our recognition of the need to evolve with the times, Sa Sa will restore profitability and deliver long-term value.”

★ **Dr KWOK Siu Ming Simon**, *SBS, JP*

📍 **Chairman and Chief Executive Officer**

I hereby report that Sa Sa International Holdings Limited delivered a decline in sales and incurred a loss for the year ended 31 March 2020 (the “financial year”), against a backdrop of the Sino-US trade war, social issues in Hong Kong SAR and, loss of sales due to the COVID-19 pandemic.

The combination of negative factors significantly impacted the Group’s financial performance in this financial year. Annual turnover decreased by 29.9% to HK\$5,717.3 million for the Group’s continuing operations. Following the Group’s termination of its operations in Singapore, the retail outlets for the continuing operations decreased from 253 last year to 235 as of 31 March 2020. Excluding the provision for impairment of HK\$270.5 million made in accordance with the Hong Kong Accounting Standard 36 that applied to the retail store assets (including the right-of-use assets and property, plant and equipment) and a loss of HK\$40.8 million for the termination of retail business in Singapore, the Group’s loss was HK\$204.6 million in this financial year. Inclusive of the above two items, the Group incurred a loss for the year amounting to HK\$515.9 million, compared to a profit of HK\$470.8 million recorded in the same period last year.

Basic loss per share amounted to 16.7 HK cents (2019: basic earnings per share of 15.4 HK cents). The board of directors does not propose a final dividend for this reporting year in accordance with the Group’s policy to pay dividends out of profits and for reasons of responsible risk management in the current operating environment.

Hong Kong and Macau SARs

Our core market of Hong Kong SAR was severely weakened from July onwards when a 41% decline in mainland tourists was recorded due to the outbreak of social issues in the second half of the calendar year 2019. In early 2020, the spread of the COVID-19 virus made it an even more difficult year for the local retail sector, which has seen the worst operating environment for the Group since its establishment in 1978.

Retail sales in the Hong Kong SAR dropped by 24.8% in the first half of the financial year. Macau SAR, however, benefitted from shifted consumption power from Hong Kong SAR, reporting sales growth of 3.6% in the first half. This overall sales decline briefly abated in December and early January due to pent-up demand from locals in Hong Kong SAR, but this welcome hiatus swiftly gave way to further decline from February 2020 onwards due to COVID-19 as the individual visit scheme for mainland Chinese visitors to Hong Kong and Macau SARs was suspended to impede the outbreak, significantly impacting tourist arrivals while local consumption plummeted. A substantial fall in Mainland tourist arrivals of around 99% was recorded in February and March, with Macau SAR registering a similar level of decline due to very strict border controls to control the outbreak.

Mainland tourist consumption saw the most dramatic impact, with the year-on-year decline in mainland tourist sales reaching an astonishing 97.4% in February 2020 for the Hong Kong and Macau SARs combined. Due to the rapid shift of product sourcing towards personal protection products since January 2020, local consumption declined by a more modest 16.6% in the fourth quarter. Nevertheless, weak business demand and closed border stations in Hong Kong SAR and casinos in Macau SAR meant that some stores were temporarily closed, with a maximum of about 20% of stores closed at any one time from January to March.

There were some positive developments. In response to the dramatic fall in tourist arrivals to Hong Kong SAR and the social distancing measures due to COVID-19, the Group accelerated the launch of more online elements to enhance sales and customer interaction during the financial year.

The Group upgraded its online channels to recuperate some of the lost sales, and the WeChat mini-programme was launched successfully in October 2019 to conduct personalised online product sales to mainland tourists who had previously visited local retail shops in Hong Kong and Macau SARs. In March 2020, the Group partnered with an external service provider to launch the online sale of masks to local consumers in Hong Kong SAR.

The Group's top priority is to manage working capital and maintain liquidity by preserving cash through inventory management and cost controls. The Group-wide inventory level has been improved by HK\$407.8 million due to successful product clearance activities and close monitoring. Cash on hand, at HK\$641.5 million as of 31 March 2020, was still adequate for our current operating needs.

Strict cost management is an integral part of our measures to achieve a turnaround. Rental cost is one of the largest expenses for the Group's retail operation. Obtaining temporary rental relief was among the first tasks we initiated and persisted with to date. As of 14 June 2020, the Group has already closed 12 stores since 1 October 2019, with the majority located in the tourist districts. As we move into FY2020/21, we strive for significant rental reduction in the renewal negotiations or closures of shops with unsatisfactory rental reduction in order to reduce the rental expenses of the Group as more leases will expire in this financial year.

Chairman's Statement

Other cost reduction measures included cutting all non-essential and non-productive expenses, seeking staff support in lowering labour costs temporarily and negotiating fee reductions from business partners across all departments. Further actions include streamlining operations and automating workflows to support a leaner staff structure, opening the way for Sa Sa to develop a stronger foundation for the Group to thrive going forward.

Our product offerings have been revised substantially and quickly in response to market trends. Further to our enhancement of premium offerings at the beginning of the financial year, the Group quickly reacted to market disruption and the sudden change in customer preferences towards personal protection products as a result of the COVID-19 outbreak. Globally sourced hygiene products were introduced to counter COVID-19, including surgical masks, hand sanitisers and wet wipes to satisfy the huge customer demand, which in turn became key drivers for boosting local consumption amid the drastic decline in mainland tourist arrivals. Going forward, healthcare products, which currently represent a relatively low proportion of our revenue, will become another product focus for Sa Sa to gain a broadened and stable customer base as well as incremental revenue streams.

The Group's future success will be founded on embracing information technology and digitalisation, resulting in lower costs and higher operating efficiency. The Group has integrated the IT function of the e-commerce team with the Group's IT department to progress the integration of online and offline operations, and is aiming to launch the new Point of Sales ("POS") system in the next financial year.

Beyond Hong Kong and Macau SARs

The Group's performance in Singapore has recorded losses for seven consecutive years. In December 2019, the Group strategically decided to withdraw from the Singapore market, and all 22 stores were closed by the end of March. The management team that managed both the Singapore and Malaysia markets will now concentrate resources to develop the Malaysia market, which has higher potential and profitability.

The Group continues to focus on strengthening operations in Hong Kong and Macau SARs, Mainland China, Malaysia and our e-commerce business. In the swiftly changing new retail environment and in the aftermath of the COVID-19 pandemic, we are focusing on further integrating our online and offline operations so that customers can benefit from a smoother online-to-offline ("O2O") shopping experience.

Mainland China and E-commerce

In Mainland China, the Group delivered an encouraging double-digit same store sales growth for the first three quarters before the COVID-19 outbreak. This was due to an increase in basket size resulting from continuous improvement in product mix, enhanced operational management and effective promotions. As we entered the fourth quarter, the temporary closure of most retail shops from late January to mid February and the reduction in foot traffic after re-opening due to the COVID-19 outbreak impacted the full year sales performance. Most stores have re-opened since March 2020 and sales are gradually improving, with the same store sales in May climbing up to a similar level in the same period last year.

More online elements were introduced to increase sales, customer interaction and efficiency for the retail business in Mainland China during the financial year. Against the backdrop of very low traffic in the shopping malls, the sales promotions at WeChat proved highly effective in halving the sales decline in these critical weeks. We plan to introduce more advanced features following good sales results and feedbacks from customers.

Due to the shift of consumer traffic towards third party platforms, we closed our own website and mobile app for the Mainland China market, which cut our manpower and infrastructure costs. We directed customers instead to our WeChat mini-programme. However, we retained our own website for local Hong Kong SAR and international customers and will continue to make improvements to their shopping experience.

Malaysia

Although very much affected by COVID-19 even before the Movement Control Order brought business to a standstill in Malaysia from 18 March onwards, our Malaysia market still achieved profits and positive revenue growth in this financial year. The Group recorded double-digit sales growth till January 2020. However, beginning in February, the COVID-19 outbreak affected local consumption sentiment. Mandatory temporary shop closures were implemented under the Movement Control Order in mid March, which trimmed annual sales growth to 3.6%. With the gradual re-opening of retail shops in May, local sales performance has already begun to recover and recorded same store sales growth on a year-on-year basis in May. However, since all retail shops were not yet re-opened, the overall retail sales still recorded a negative growth as a result.

Online home delivery was also launched in March to boost sales activities, and we strategically shifted our focus to skincare, fragrance and healthcare products. We continued to adjust the Group's sales mix to further grow our Malay customer base, while still aiming to attract more domestic Chinese customers.

Beyond Crisis to the Future

Diversification Strategy

The economic outlook for Hong Kong SAR in the immediate future is extremely challenging, with another year of economic contraction increasingly likely. Sa Sa's top priority is to manage our costs and working capital to navigate the storm and to adapt our business network and strategy in anticipation of a gradual recovery.

This recovery is not expected to be as fast in Hong Kong SAR as in Macau SAR, Mainland China and Malaysia. Tourist arrivals will take time to rebound in Hong Kong SAR following the social issues that first erupted in June 2019. Macau SAR experienced improving same store sales growth from August to December 2019, just before the COVID-19 outbreak. We believe the tourism industry will recover swiftly soon after the pandemic. It remains an attractive market for the Group and warrants further investment for capturing more market share as long as suitable retail space is available.

We are therefore adopting a diversification strategy in terms of customer segments, products, sales channels and markets. We recognise that we have traditionally been highly focused on Mainland China tourists in our core markets of Hong Kong and Macau SARs as well as on Chinese in the Malaysia market. We are now working harder to serve local people in Hong Kong and Macau SARs and have started to target local Malays in the Malaysia market.

We are also aiming to strengthen our product competitiveness by adapting our product strategy to the changing needs of local customers, thereby improving the loyalty of existing customers, attracting new customers and building stable customer segments.

In addition to customer and product diversification in Hong Kong SAR, we aim to grow our revenue streams from our other geographies of Macau SAR, Mainland China and Malaysia. These markets represent good growth potential for the Group and will further diversify our revenue and profit base while mitigating market concentration risks.

For many years, the Group's business focus has been placed on our retail stores in all markets, with tourists making substantial contribution to our core markets of Hong Kong and Macau SARs. The COVID-19 outbreak has driven us to expedite the development of e-commerce business and to progress towards the new retail model of offering a seamless online-and-offline experience to our customers. In Hong Kong SAR, the Group has been actively exploring multiple new social commerce and other online sales channels since March this year. Leveraging the technologies and sales features of our vendors, we plan to launch partnerships in the first half of the year, with the introduction of personalized service elements enabling interactions between Sa Sa beauty consultants and customers in different channels. As such, the Group will effectively broaden its customer base to different target consumer groups, while playing a complementary role with Sa Sa's own shopping website.

China is one of the most advanced e-commerce countries in the world. We will therefore accelerate the development of our O2O strategy in this market. In addition to developing third party platforms, brand building is another focus for growing our retail and e-commerce businesses in Mainland China. We target to raise brand awareness for our house brands with the aim of improving margins for e-commerce. Such a move will also boost sales in our offline shops in Mainland China, and ideally benefit our stores in Hong Kong and Macau SARs.

Currently, more than 40% of the stores in our PRC portfolio are in Southern China. In the near future, the Group will focus on only a few key cities in each region of the country, which will help us towards our ultimate goal of growing our business network cost effectively, including online and offline segments, right across Mainland China.

Information Technology and Digitalisation

There is no doubt that enhanced information technology and digitalisation will enable us to serve our customers both online-and-offline in a more seamless and satisfying manner in all our markets. With shopping behaviour radically changing due to social distancing rules, the Group is launching more online elements for our customers.

In addition, we will launch a new POS system which is scheduled in the next financial year. The new POS will introduce a higher degree of automation and lower the operation cost, thereby enhancing the shopping experience for our customers.

In line with greater emphasis on third-party platforms, we will continue to explore opportunities on current and prospective third party platforms such as Shopee. Our current online sales mix is leaning heavily on PRC consumers, which represents close to 90% of our e-commerce sales. Shopee and other initiatives will help us diversify our online customer base more globally.

The Group will continue to explore cost effective ways of upgrading our e-commerce engine and order management system. Our aim is to improve connectivity with a number of touch points, including third party platforms, own channels and the WeChat mini-programme. The intended upgrade will target to improve connectivity across different touch points, and enable us to use multiple warehouses for fulfillment across different online platforms and even business units. All these measures will improve our operational efficiency and e-commerce competitiveness. Meanwhile, the WeChat mini-programme will allow us to leverage the capabilities of our well-trained professional beauty care consultants.

In Malaysia, we will continue to ramp up online sales and use O2O operation model to recuperate sales lost due to temporary shop closures as well as to reach further into the untapped audience in Malaysia.

Conclusion

There is no doubt that this is a time of unprecedented global challenges, which have been exacerbated by economic, political and social issues in some of our core markets. There is no easy way through. However, I believe crisis always contains within it opportunity.

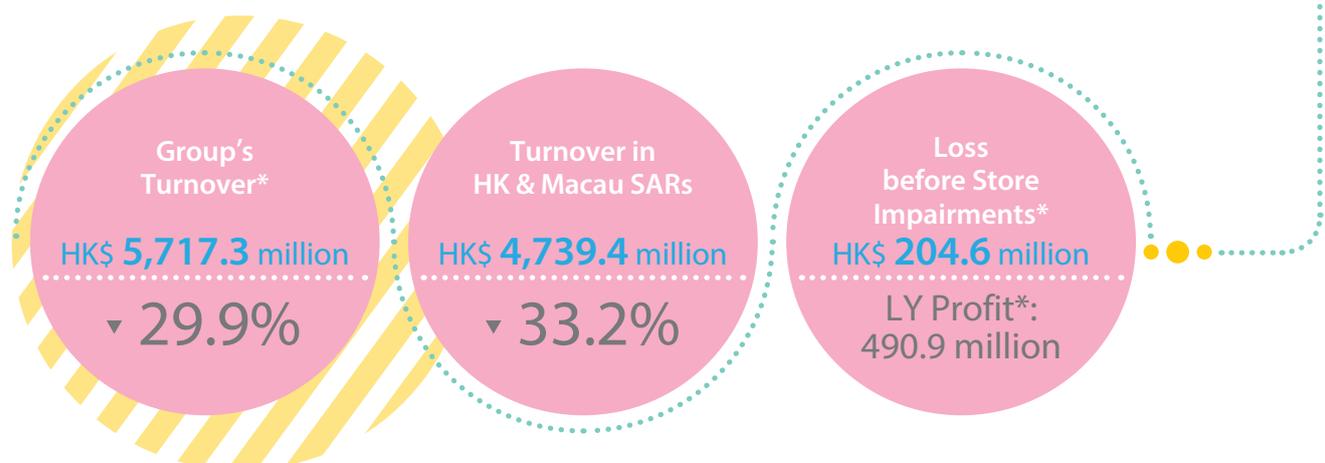
Especially at this critical moment, I would like to express my deepest gratitude to all my Sa Sa colleagues for their resilience and loyalty as we strive to navigate these difficult times. It has always been Sa Sa's way to rise to the moment. I believe that our willingness to evolve, our continuing brand recognition in our chosen markets, and the clarity of our forward vision will enable us to realise the Groups' sustainable goals as we move forward into the future.

Finally, Sa Sa is always committed to being a good corporate citizen. "From the community, to the community" is a commitment that underpins everything we do to serve the societies in which we operate. As we move forward into the future, we will continue to inform all our actions with this spirit of dedication and give back to the community to create abundance.



Dr KWOK Siu Ming Simon, SBS, JP
Chairman and Chief Executive Officer
Hong Kong, 18 June 2020

Management Discussion & Analysis



* For continuing operations

Consolidated Income Statement for the Year Ended 31 March 2020

	Full year		First half		Second half	
	2020 HK\$' 000	2019 HK\$' 000 Restated	2020 HK\$' 000 Restated	2019 HK\$' 000 Restated	2020 HK\$' 000	2019 HK\$' 000 Restated
Continuing Operations						
Turnover	5,717,283	8,156,597	3,394,664	4,041,460	2,322,619	4,115,137
Cost of sales	(3,634,818)	(4,839,967)	(2,113,505)	(2,420,681)	(1,521,313)	(2,419,286)
Gross profit	2,082,465	3,316,630	1,281,159	1,620,779	801,306	1,695,851
Other income	64,373	95,749	35,191	47,817	29,182	47,932
Selling and distribution costs	(2,151,949)	(2,542,076)	(1,189,242)	(1,264,864)	(962,707)	(1,277,212)
Administrative expenses	(278,868)	(309,155)	(145,849)	(156,958)	(133,019)	(152,197)
Impairment of right-of-use assets and property, plant and equipment	(270,455)	(5,969)	(4,273)	(2,175)	(266,182)	(3,794)
Other gains – net	1,009	6,560	834	2,499	175	4,061
Operating (loss)/profit	(553,425)	561,739	(22,180)	247,098	(531,245)	314,641
Finance income	17,447	20,558	10,083	10,587	7,364	9,971
Finance costs	(26,020)	–	(13,410)	–	(12,610)	–
(Loss)/profit before income tax	(561,998)	582,297	(25,507)	257,685	(536,491)	324,612
Income tax credit/(expense)	86,916	(91,380)	1,718	(41,269)	85,198	(50,111)
(Loss)/profit for the year from continuing operations	(475,082)	490,917	(23,789)	216,416	(451,293)	274,501
Loss for the year from discontinued operations	(40,854)	(20,165)	(12,741)	(13,555)	(28,113)	(6,610)
(Loss)/profit for the year attributable to owners of the Company	(515,936)	470,752	(36,530)	202,861	(479,406)	267,891

During the financial year, the Group's turnover decreased by 29.9% to HK\$5,717.3 million for the continuing operations, excluding the discontinued operations in Taiwan of China and Singapore. Sales of retail and wholesale in Hong Kong and Macau SARs reduced by 33.2% to HK\$4,739.4 million. The Group's retail outlets for the continuing operations decreased from 253 last year to 235 as of 31 March 2020.

The Group incurred a loss for the year amounting to HK\$515.9 million, compared to a profit of HK\$470.8 million recorded in the same period last year. Excluding the provision for impairment of HK\$270.5 million¹ made in accordance with the HKAS 36 that applied to retail store assets (including right-of-use assets and property, plant and equipment) and a loss of HK\$40.8 million for the termination of retail business in Singapore, the Group's loss was HK\$204.6 million in this financial year.

Basic loss per share amounted to 16.7 HK cents (2019: basic earnings per share of 15.4 HK cents). In view of the challenging and uncertain operational environment in our operating markets, the Board does not propose a final dividend for this reporting year in accordance with the Group's policy to pay dividends out of profits and for reasons of responsible risk management under the current operating environment (2019: 9.0 HK cents per share).

The Group has been included in the Hang Seng Composite SmallCap Index, FTSE World Index Series and MSCI Index Series. We have been a constituent member of Hang Seng Corporate Sustainability Benchmark Index since 2011. The Group is also an eligible stock for Shenzhen-Hong Kong Stock Connect since 2016.

Market Overview

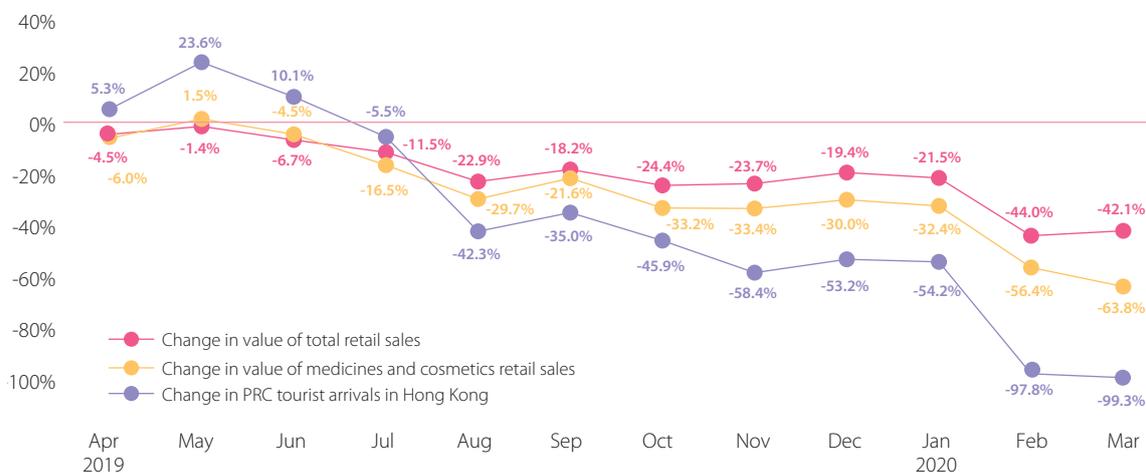


Note:

- 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.

¹ Details are set out in Note 13 and 14 on page 203 to page 209

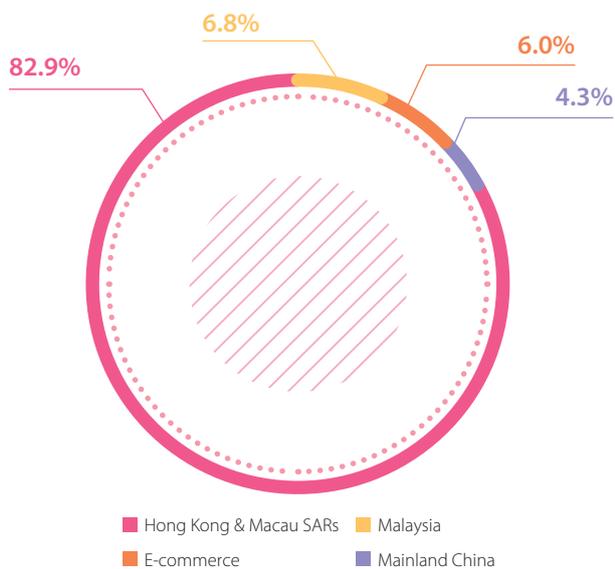
Retail Sales Performance and PRC Tourist Arrivals in Hong Kong SAR (year-on-year change)



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

Retail and Wholesale Business

FY2019/20 Turnover Mix by Market



Store Network by Market

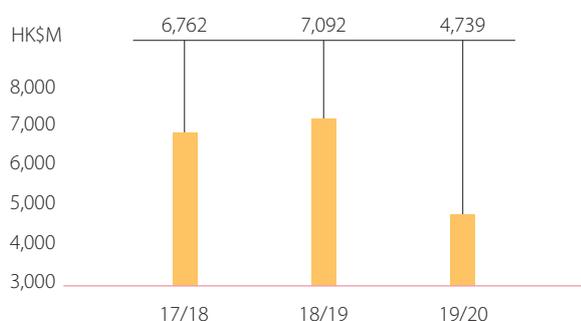
Market (Continuing operations)	As of 31 Mar 2019	Opened*	Closed*	As of 31 Mar 2020
Hong Kong & Macau SARs	118	11	17	112
Mainland China	54	6	16	44
Malaysia	81	4	6	79
Total	253	21	39	235

*Note:

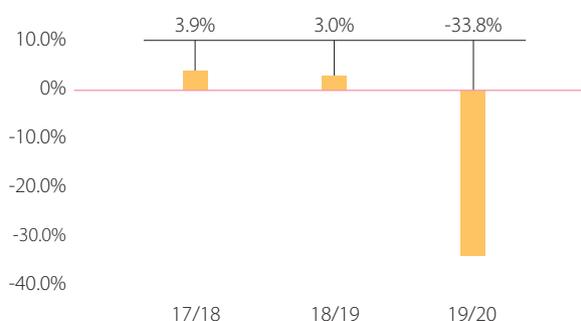
- The number of stores opened and closed within 12 months between 1 April 2019 and 31 March 2020.
- As at 31 March 2019, there were 21 retail stores in Singapore market in total. Since the Group announced the closure of Singapore business in December 2019, all retail stores have been closed before 31 March 2020.

Hong Kong and Macau SARs

Turnover (Retail & Wholesale)

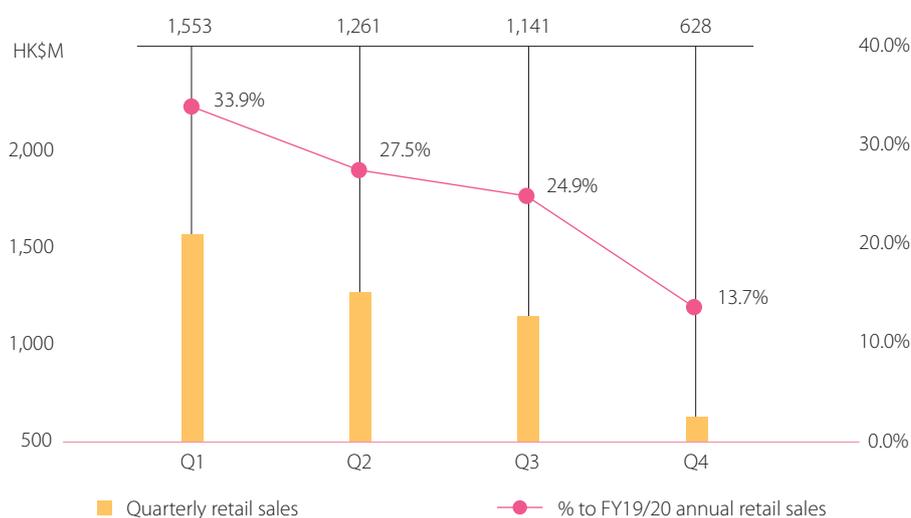


Same Store Sales Change



As a result of the fallout from the continuing Sino-US trade war and social issues, the retail industry of Hong Kong SAR registered a significant decline in sales from mid 2019 onwards. According to statistics released by the Census and Statistics Department, the total retail sales value decreased by 11.1% on a year-on-year basis in the full-year 2019, recording the biggest annual fall since 1999. Retail sales in Hong Kong SAR were severely weakened from July onwards when a 41% decline in Mainland tourists was recorded in Hong Kong SAR due to the outbreak of social issues in the second half of 2019. The individual visit scheme for mainland Chinese visitors to Hong Kong and Macau SARs was suspended in early 2020 to impede the spread of the COVID-19 virus, which made it an even more challenging year for the retail sector in Hong Kong and Macau SARs.

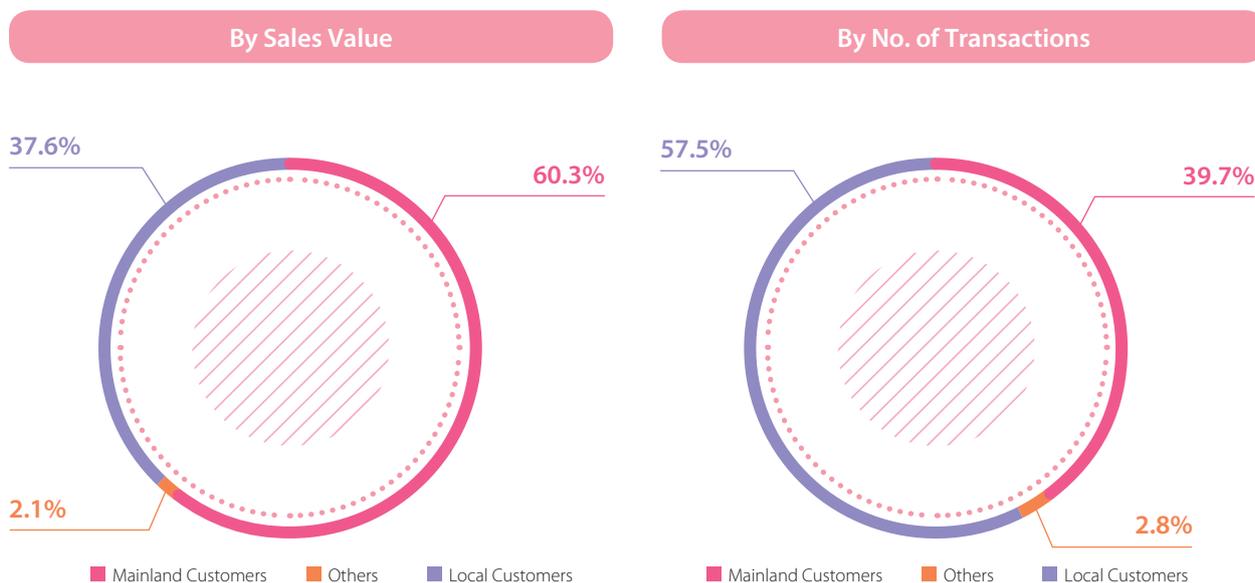
FY2019/20 Retail Sales by Quarter



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

Retail sales in Hong Kong SAR reduced by 24.8% in the first half of FY2019/20, while 3.6% growth was reported in Macau SAR, which benefitted from the shifted consumption power from Hong Kong SAR. For the combined market in Hong Kong and Macau SARs, overall retail sales in the interim period declined by 19.4%. Although the sales decline was slightly narrowed in December 2019 and early January 2020 due to pent-up demand from locals in Hong Kong SAR, the COVID-19 outbreak from late January 2020 onwards had a significant impact on tourist arrivals and local consumption in the city. Macau SAR was not spared the adverse impact of the outbreak. Mainland tourist arrivals to Hong Kong SAR dropped substantially by 97.8% in February, followed by 99.3% in March. Macau SAR recorded a similar level of decline in Mainland tourists due to stringent border controls to combat the outbreak.

Customer Mix (FY2019/20 Retail Sales)



The year-on-year decline in Mainland tourist sales was 80.2% in the fourth quarter, reaching an extraordinary 97.4% in February for Hong Kong and Macau SARs combined. Customer mix by sales value from Mainland tourists dropped to 38.0% in the fourth quarter, compared to 71.0% in the same period last year. Local consumption declined less by comparison, decreasing by 16.6% in the fourth quarter thanks to our quick shift of product sourcing towards personal protection equipment.

On a more positive note, we strengthened our online channels to capture some of our lost sales. The WeChat mini-programme was launched in October 2019, and we continued to interact with and conduct product sales to Mainland tourists who visited retail shops in Hong Kong and Macau SARs. In addition, the Group launched the online sale of masks in early March to avoid the inconvenience of customers queuing outside stores. (For details, please read the E-commerce section)

Overall, retail sales dropped by 34.6% for the whole financial year in Hong Kong and Macau SARs, while same-store-sales declined by 33.8%. The overall number of transactions decreased by 26.3%, with the number of Mainland tourists and locals declining by 45.3% and 2.2% respectively. The sales mix between Mainland tourists and locals significantly changed, with sales value from Mainland tourists decreasing to 60.3%, from 71.4% in the last financial year.

In Hong Kong and Macau SARs, the Group incurred a loss amounting to HK\$413.6 million in this financial year, compared to a profit of HK\$512.2 million recorded in the same period last year. Excluding the provision for impairment of HK\$265.3 million made in accordance with the HKAS 36 that applies to retail store assets (including right-of-use assets and property, plant and equipment), the Group's loss was HK\$148.2 million in this market.

Significant Rental Reduction

Our retail shops located in the tourist areas have always contributed more revenue to our operations in Hong Kong and Macau SARs. However, these stores have lost an increasingly high proportion of traffic and have incurred losses as the decline in tourist arrivals became more acute over the past 12 months. The decline in sales of 80% to 90% in recent months has meant that significant losses became inevitable. We have had no choice but to close poor performing stores in tourist areas in order to reduce our costs and arrive at a leaner cost structure.

Our closure decision has been made based on rental negotiations with the landlords, business demand in the districts and market recovery to achieve the breakeven point of retail shops in principle. As of 14 June 2020, the Group had already closed 12 stores since 1 October 2019, with the majority of these located in the tourist districts of Tsim Sha Tsui, Causeway Bay and Mongkok. As we move into FY2020/21, we strive for significant rental reduction in the renewal negotiations or closures of shops with unsatisfactory rental reduction in order to reduce the rental expenses of the Group as more leases will expire in this financial year.

Meanwhile, we will continue to negotiate with landlords for temporary rental relief for shops with leases not yet expiring in the near term. In regard to upcoming new leases, we are exploring the possibility of changing to turnover rent with landlords instead of having a fixed rental expense, which is the arrangement adopted for almost all of our current leases in Hong Kong and Macau SARs. This would help merchants such as Sa Sa and our landlords to align interests during market fluctuations. However, some landlords are willing to offer this arrangement only on a temporary basis.

Stringent Cost and Inventory Management

Following the first round of cost saving measures in the third quarter FY2019/20, all departments conducted another all-round cost reduction exercise beginning in early February to minimise the Group's costs, particularly during this critical time. Wherever possible, costs are targeted to synchronise with decreased business volume. This involves both short-term measures such as seeking fee reductions from business partners as well as actions to streamline operations and costs for medium and long-term benefits. Such measures have unfortunately resulted in job losses.

Due to weak business demand, the Group implemented temporary store closures of up to 21 stores in Hong Kong and Macau SARs from January to March 2020. Most stores were scheduled for re-opening in March and early April. These temporary shop closures helped save manpower and reduce fixed shop expenses. For the forced closures at the border stations in Hong Kong SAR and the casinos in Macau SAR, the rental for the closed period was covered by the landlords.

Staff costs were reduced through no pay leave arrangements, a temporary salary reduction scheme and job cuts, while members of staff have also been encouraged to clear their annual leave. Such optimised staff organisation, streamlined operating procedures and reduced cost structures will pave the way for Sa Sa to return to profitability at a faster pace and to develop a more solid foundation for the Group to thrive going forward.

Our inventory reduction efforts through clearance sales and wholesale measures have reduced the Group's inventory by HK\$407.8 million to HK\$1,005.9 million, while inventory turnover days decreased from 104 days as at the end of the last financial year to 101 days as of 31 March 2020. The Group's cash and bank balance was reduced to HK\$641.5 million as of 31 March 2020. This reduction was mainly attributable to a final cash dividend payment of HK\$265.8 million for the previous financial year, accounts payable decreasing by HK\$252.3 million as more inventory was financed by the Group, and losses incurred during the financial year. Despite the reduced level of cash, the reserves are still adequate for our current operating needs.

Adjusting Our Product Strategy to Retain Customers

The Group actively improved our offerings in the premium category at the beginning of the financial year, taking into account changing customer preferences away from Korean trendy products towards premium products. The sales mix of premium brands of parallel imports increased significantly over the previous financial year. Many of Sa Sa's own brand products are designed to be linked to premium products. The own brand mix increased slightly in the financial year. However, due to the decrease of sales mix from sole agent products, the house brand mix dropped to 35.1% from 36.5% in the same period last year. Moreover, the increased aggressive promotions and wholesale activities in the second half resulted in a decline in gross profit margin from 40.4% to 35.4%.

From February 2020, we introduced personal protection products from global sources to counter COVID-19 including surgical masks, hand sanitisers and wet wipes, with the aim of serving our customers' needs to combat the pandemic. Hand sanitisers under our own labels were also launched in March to satisfy the huge customer demand.

Information Technology and Digitalisation

Embracing the usage of information technology and digitalisation is the foundation of the Group's future success. The aim is to automate workflow and streamline operations, resulting in lower costs and higher operating efficiency. In addition to speeding up our transition towards digital workflow, the Group has combined the IT function of our e-commerce team with our Group IT department to further the integration of our online and offline operations ("O2O") and to save costs. We are making progress with the launch of the new Point of Sales ("POS") system, which is expected to launch in FY2020/21. The features of the new POS system will be further elaborated in the Outlook section.

Mainland China

During the financial year, total turnover for the Group's Mainland China operations decreased by 12.1% in local currency to HK\$243.0 million, while same store sales in local currency terms rose by 5.2%. The Group operated 44 stores as of 31 March 2020, compared to 54 stores in the same period last year.

Following the satisfactory momentum achieved in the first half of the year, the Group's same-store-sales rose by 18.5% and retail sales also grew by 4.5% in the third quarter despite the fall in store count. This was due to an increase in basket size resulting from continuous improvement in product mix, enhanced operational management and effective promotions.

As we entered the fourth quarter, the temporary closure of most retail shops from late January to mid February and the reduction in foot traffic after re-opening due to the COVID-19 outbreak dragged sales growth into negative territory in the fourth quarter and impacted the full year sales performance. 90% of shops have re-opened since mid March 2020 and sales are gradually improving, with the same store sales in May climbing up to a similar level in the same period last year. Although transaction volume was severely impacted, basket size continued to grow in the fourth quarter by 9.3% in local currency.

During the financial year, our expanded product range was extended to more trendy products, which are effective in attracting foot traffic to our retail stores. Product items for private labels were also increased to satisfy customers' diverse preferences, resulting in a 3.3 percentage points improvement in the house brand mix. This improvement, however, could not compensate fully the loss in gross profit margin in each category. The gross profit margin declined from 53.7% to 48.7% in local currency. Although the first half loss for the Mainland China business was narrowed by 15.0%, the loss for this business during the full year was HK\$38.0 million, compared to HK\$16.1 million in the last year. This was mainly due to the deleveraging effect in the second half, which resulted from a 23.2% decline in second half sales.

To counter these trends, more online elements were introduced to boost sales, customer interaction and operational efficiency during the financial year. Following the launch of the WeChat mini-programme in August 2019 (for retail customers in Mainland China), we launched an aggressive promotion campaign on WeChat in February 2020 as many physical stores were closed due to the COVID-19 outbreak. Against the backdrop of extremely low traffic in the shopping malls, the sales promotions on WeChat proved effective in almost halving the sales decline in those critical weeks. More advanced features will be introduced following encouraging sales results and positive feedbacks from customers. The Group also introduced mobile technology to facilitate staff management in Mainland China, which is proving particularly effective in improving our management efficiency as our retail stores are scattered throughout different parts of the country. Aided by relevant staff policies, staff productivity significantly improved in the financial year with better sales per staff and a lower staff turnover rate.

E-commerce

Turnover of the Group's e-commerce business declined by 12.0% year-on-year to HK\$344.7 million. Sales generated from third-party platforms grew by 4.6% year-on-year, despite a significant decline of sales at Kaola due to a change of major shareholders and management. Sales contribution of third-party platforms increased to 70% in the financial year as TMall and JD.com reported sales growth, while HKTvmall and Shopee were newly launched during the period.

Around 90% of the customers of our e-commerce business came from Mainland China in this financial year. However, our own website suffered a significant sales decline due to the relentless shift of consumer traffic towards third party platforms. Our investment in a major e-commerce engine therefore failed to gain traction and was written off during the year. We have closed our own website and mobile app for the Mainland China market and directed customers to our WeChat mini-programme (for Mainland customers who visited retail shops in Hong Kong and Macau SARs) piloted in October 2019. For local customers in Hong Kong SAR, we have retained our own website and mobile app and we will continue to look for enhancements to their shopping experience.

The WeChat mini-programme is a natural online extension of the personal services traditionally provided by our beauty consultants in the physical stores. It offers the advantages of multiple touch point consultant services and sales irrespective of the location of customers. It also provides compensation for lost income for our frontline staff who are otherwise suffering badly from the lack of footstep traffic in our physical stores. The sales mix, gross margin and basket sizes are more satisfactory as compared to pure online sales due to the personal service element.

The loss of the e-commerce segment widened to HK\$39.7 million, including a one-off write-off of the aforementioned e-commerce engine of HK\$10.9 million, of which HK\$6.9 million and HK\$4.0 million included in write-off of property, plant and equipment and telecommunication expenses respectively. Service charges for existing platforms increased by 35.2% year-on-year, due to higher service rates charged by some third-party platforms and more promotional campaigns. Our manpower and infrastructure costs were substantially cut towards the end of the financial year as we strategically terminated the operation of Sa Sa's shopping site in Mainland China on 1 April 2020. The savings will be reflected more fully in the next financial year.

The Group is increasingly coordinating our online and offline operations to serve customers due to the change in consumer behaviour towards online purchases, all of which has been hastened by the COVID-19 pandemic. In an initiative specifically aimed at serving local consumers of Hong Kong SAR, the Group began partnering with a service provider to provide support for an online queuing system for the sale of surgical masks in early March 2020. This has proved to be very well received and has the added advantage of significantly increasing new member recruitment.

Malaysia

Turnover of the Group in Malaysia was HK\$390.2 million, an increase of 3.6% on a year-on-year basis in local currency terms. Same store sales rose slightly by 0.9% in local currency terms. The Group operated 79 stores as of 31 March 2020, compared to 81 stores last year.

In the first half, the Group's turnover grew by 8.2% as we opened four and 10 new stores in the first half and previous financial year respectively. This momentum continued until January 2020 with double-digit sales growth. For the 10 months ended January 2020, we increased our profit for this market by a high single digit year-on-year. However, beginning in February 2020, the COVID-19 outbreak affected local consumption sentiment. Mandatory temporary shop closures were implemented under the Movement Control Order in mid March, which seriously disrupted our sales performance in the fourth quarter, trimming overall annual sales growth to 3.6%. Malaysia recorded a reduced profit of HK\$16.2 million for the whole financial year, a decline of 23.7% compared to last financial year. With the gradual re-opening of retail shops in May, local sales performance has already begun to recover and recorded same store sales growth on a year-on-year basis in May. However, since all retail shops were not yet re-opened, the overall retail sales still recorded a negative growth as a result.

In view of the uncertainty caused by COVID-19, the Group carried out a series of cost saving measures. Ongoing negotiations with landlords were conducted to obtain rental relief. Payment reductions were requested from other business partners and an internal capital allowance review was conducted for tax savings. Since the outbreak, the Group has introduced personal protection products to satisfy customers' urgent needs. Online home delivery was launched in March, together with more extended use of social media channels, to bolster sales activities. Inventory balance is under close monitoring to ensure sufficient product supply and yet avoid over-stocking issues.

During the financial year, the Group strategically shifted focus to skincare, fragrance and healthcare products to cater for customer preferences. Before the Movement Control Order, sales generated from these three product categories increased by 10% as compared to the previous financial year. The Group also adjusted our brand portfolio and cut non-performing SKUs to enhance our competitiveness in the market. The Group's sales contribution from local Malays continued to increase as we make further progress in the expansion of our Malay customer base. The engagement of influencers in our promotional campaigns and our partnerships with brands and the community have contributed to the Group's penetration into the local Malay market.

Singapore

The Group's performance in Singapore has been less than satisfactory for many years, and we have recorded losses for seven consecutive years. During the financial year, consumer sentiment remained low for the Singapore market. From February to December 2019, the Singapore Retail Sales Index recorded 11 months of negative growth, resulting in a 2.8% decline for the whole of 2019.

In December 2019, after careful consideration, the Group decided to close all retail stores in Singapore to concentrate resources on our markets in Hong Kong and Macau SARs, Mainland China and Malaysia, as well as our e-commerce business. Clearance sales were introduced to reduce inventory level, which stimulated sales from December 2019 to the fourth quarter. As a result, retail sales and same store sales recorded 16.5% and 22.6% growth in local currency terms respectively on a year-on-year basis.

By 31 March 2020, the Group had closed all 22 stores in the Singapore market. A loss of HK\$40.8 million was incurred for the financial year. The management team that managed both the Singapore and Malaysia markets will now concentrate resources to develop the Malaysia market, which has higher potential and profitability.

Outlook and Strategies

Measures to Navigate the Storm

The combination of a negative economic outlook and Sino-US trade tensions followed by the global outbreak of COVID-19 has deeply impacted the retail sector in Hong Kong and Macau SARs, Mainland China and even Malaysia. The impact was particularly severe for Hong Kong SAR as the city's tourist arrivals, especially from Mainland China, plummeted after social issues began to erupt in July 2019 onwards. The near-term economic outlook for Hong Kong SAR is extremely challenging, with the growing probability of another year of economic contraction. The Hong Kong Retail Management Association ("HKRMA") forecasts the total retail sales value for the first half of 2020 will decrease by mid double digits, ranging from -30% to -50%.

Currently, the top priority for Sa Sa is to manage our costs and working capital to navigate and survive the storm and to adjust our business strategy to ride on the much awaited wave of gradual recovery. In addition to closely monitoring our inventory and cash positions, we aim to reduce our inventory by implementing aggressive clearance activities, as well as implementing stringent controls on product order placement to ensure that funds will only be allocated to strategically focused products. We will reduce our rental expenses in Hong Kong SAR, explore a new rental payment model and speed up our digitalisation and workflow automation. While striving to retain stores and staff as much as we can, we aim to realise a leaner cost structure and enhance operational efficiency in order to achieve long term healthy development for the Group.

For Hong Kong SAR, the recovery is not expected to be as fast as in other markets, such as Macau SAR, Mainland China and Malaysia. The social issues that emerged in June 2019 will require more time for tourist arrivals to recover. However, we will strive to diversify our customer base by focusing more on serving local consumers in our physical stores. We aim to thereby strengthen our product competitiveness by adapting our product strategy in a timely manner to the changing needs of local customers. In addition, by adopting a more diversified product offering, we aim to improve the loyalty of existing customers, attract new customers and build stable customer segments. In addition to customer and product diversification in Hong Kong SAR, we aim to grow our revenue streams from other geographies, namely Macau SAR, Mainland China and Malaysia. These markets represent good growth potential for the Group and will further diversify our revenue and profit base while mitigating market concentration risks.

In terms of sales channels, we see an acute need to accelerate our development in e-commerce and online elements to better serve our customers in this digital era. In addition, leveraging the latest promotional strategy of live broadcasting for online shopping, we partnered with WeChat for a live broadcasting in Mainland China in May. We also teamed up with shopping platform and vendor in Hong Kong SAR to attract local customers through live broadcasting. In the future, we will invest more resources in information technology, digitalisation and e-commerce to capture sales from the growing e-commerce sector, as well as to increase automation in our retail network in a concerted drive towards the O2O operation model.

Hong Kong and Macau SARs

The coming year is expected to be extremely difficult. Despite the HKSAR government proposed a series of relief measures to support the retail industry and protect employment in the near term, the Group still needs to take very active measures to cope with the anticipated challenges. The Group is currently lowering rental expenses, streamlining work procedures and optimising the cost structure (see Business Review Section) to significantly reduce the breakeven point and to achieve a faster turnaround when sales recovers.

Since the market dynamic changes rapidly and our lease tenors run on different timelines, the adjustment of the shop network depends on market circumstances when the leases expire, business opportunities in the various districts and the rental terms offered by landlords. The Group will strive to seek substantial rental reduction for the currently unprofitable stores, with the basic principle of at least achieving breakeven point at store level, while retaining stores and jobs for staff as much as possible. In addition, the Group will continue to seek temporary rental relief from landlords before leases expire and explore the possibility of changing to a new model of charging turnover rents.

Macau SAR experienced improving same store sales growth from August to December 2019, just before the COVID-19 outbreak. We believe the tourism industry will recover swiftly soon after the pandemic.

Product offerings remain the key to sustained growth. As customer preferences for products and services continue to evolve, a product offering that adapts to fast changes in customer preferences will ultimately determine our competitiveness. We will increasingly engage big data to determine our product direction and improve inventory management.

With relentless dedication to customer experience, we will improve product display to attract foot traffic and cater to the younger generation and those who prefer self-service, complementing our professional beauty consultants in the retail stores.

The enhancement of customer experience and engagement via information technology and digitalisation will be our core priority to reach the ultimate goal of serving customers online-and-offline in a seamless manner. Measures include the launch of more online elements to cater to the growing number of online shopping consumers, which reflects a notable change of shopping behaviour due to the social distancing measures imposed by the COVID-19 outbreak.

Meanwhile, a new POS system is expected to launch in second quarter FY2020/21. The system will introduce a higher degree of automation, thereby lowering the operation cost and enhancing the shopping experience for our customers. As we develop further our New Retail strategy, the new POS system will enhance both the physical store and online shopping experience.

Our retail stores and e-commerce business reported 18 million and almost one million transactions respectively in this financial year. Such transaction data is a valuable asset for Sa Sa to grow on-going revenue and customer loyalty by leveraging the enhanced use of digital marketing and targeting tools. In the long term, we aim to connect the customer touch points of three business units, namely physical stores in Hong Kong and Macau SARs and Mainland China as well as our e-commerce business, through a centralised customer database, thus continuously serving occasional Mainland customers who have purchased in our stores in Hong Kong and Macau SARs. The aim is to extend this service to both Mainland China's bricks-and-mortar stores and online platforms, converting occasional buyers into long-term loyal customers and creating more sales from the Mainland China market and online channels. The database is also essential for us to provide a seamless online-to-offline shopping experience to customers.

Mainland China

The market outlook for Mainland China is for slower growth than previously expected due to COVID-19. Correspondingly, our store expansion plan slowed in the first half of 2020. With the outbreak coming under more control from April onwards, we will consolidate our resources and resume our development plan step by step as we move into the new financial year. A two-pronged approach will be adopted to focus our resources on developing strategic regions and core cities for enhanced management and operational efficiency.

Currently, more than 40% of the stores in our PRC portfolio are in Southern China. We will focus on improving their productivity next year to take advantage of our stronger reputation in the Greater Bay Area, thereby laying the foundation for adding more stores in the region. The performance of our stores has been improving but some of them still require attention to attain optimal sales and profitability.

The Group will focus on only a few key cities in each region in the near future, which will become the stepping stones to our ultimate goal of growing our business network, including online and offline segments, right across China in the long term. In the west of the country, Chengdu, where we currently have 3 shops, is identified as a key city for expansion in the second half. More shops will be opened around its neighbouring city, Chongqing, after successful establishment of our business in Chengdu. As for Eastern China, after years of development in the region, we will only focus strategically on a few cities, namely Shanghai, Hangzhou and Ningbo. In Northern China, our development plans will focus on Beijing, which is planned to achieve organic growth this year.

To realise the above long term expansion blueprint, the Group will localise our management team and use more data driven analysis to optimise our management efficiency. We will invest more in developing marketing and branding marketing expertise in Mainland China, which will enhance the brand reputation of Sa Sa and our private labels in the country. We will also accelerate our progress in talent training and reserves. On the product front, our focus on introducing new and trendy products since early 2019 has proven successful in attracting customers and improving same-store-sales growth, enabling us to deliver double-digit growth before the COVID-19 outbreak. We will continue this momentum by bringing new products to our shelves. As for our own brand products, we will strive to maintain the current sales mix while raising the gross profit margin through brand building initiatives in order to enhance the overall gross profit margin.

Looking at the future of Sa Sa in Mainland China, which is one of the most advanced e-commerce countries in the world, we see a growing need to speed up the development of our O2O strategy. The WeChat mini-programme, which was piloted in August 2019, generated notable sales from customers who did not reside near to our shops, thereby helping us to fill the gaps in our retail network and to generate sales from their repeat purchases. We will explore more online solutions customised for PRC consumers, since they will enable us to build more of our own product brands and facilitate O2O development in the future.

E-commerce

The COVID-19 outbreak has made the general public all over the world avoid going out. Instead, many of them purchase daily necessities via e-commerce platforms. This evolving practice will gradually but inevitably change consumer shopping behaviour on a global scale.

E-commerce is fast becoming more important to Sa Sa's future development plans. More emphasis is being placed on third-party platforms instead of own channels, and on catering to the shopping behaviour of Mainland consumers, which represent around 90% of our e-commerce sales. In line with this, the Group will continue to explore more opportunities on current and potential third-party platforms. Geographically, since 2019 we have started to expand our reach beyond Mainland China, entering Singapore and Malaysia markets by partnering with Shopee. More countries in Southeast Asia are planning to enter through Shopee in the coming year.

Merchants are a growing presence on third-party platforms, resulting in more competition and price pressure, and therefore house brands have become increasingly important. We will shift our focus towards building brands for our house brands (own brands and exclusively distributed brands) with the aim of boosting sales in both online and offline shops and contributing to the long-term development and competitiveness of the Group.

Social commerce has been growing rapidly in recent years. According to the "China's Social Commerce" white paper, social retail penetration in Mainland China has reached a high level of 71%. According to the "Analysis of China's E-commerce Industry Development Status and Prospects 2019", the scale of social commerce sales is expected to reach over 30% of total e-commerce retail sales in 2020. In the long run, online and offline continuous integration will inevitably narrow the gap between online and offline retail stores, providing customers with professional services and quality products as a result. The Group has been piloting this shift in direction since late last year, thereby enabling us to leverage the unique strength of our team of well-trained professional beauty consultants.

In response to the new trend of consumption, we have devoted greater efforts to social commerce. Our WeChat mini-programme is a proven successful online platform to connect our frontline beauty consultants with customers, delivering a higher gross profit margin with more product mix from house brands as compared to other online channels. The positive impact was seen very clearly when tourist arrivals fell substantially in Hong Kong SAR. We will explore this development more in the future.

Since late 2019, less funding was allocated to Sa Sa's own online shopping channels, including the website and mobile app. From 1 April 2020, we closed our shopping site and mobile app for Mainland Chinese residents, who have been directed to the WeChat mini-programme for a better interactive service experience. In the short term, the positive benefits of these initiatives has yet to be reflected in the sales performance. However, the Group strongly believes that the collaborative efforts from different departments, including frontline beauty consultants, for supporting the Group's e-commerce business will drive sales of the WeChat mini-programme and Sa Sa's other O2O developments in the long run.

The COVID-19 outbreak has also accelerated the development of online shopping outside of Mainland China. The Group's own websites and mobile app in Hong Kong SAR and overseas were used to sell surgical masks during this time, an initiative that received positive feedback from customers. We will invest resources to enhance our e-commerce capabilities, drive online business development, and provide a more comprehensive shopping experience to our consumers in Hong Kong SAR. In Hong Kong SAR, the Group has been actively exploring multiple new social commerce and other online sales channels since March this year. Leveraging the technologies and sales features of our vendors, we plan to launch partnerships in the first half of the year, with the introduction of personalized service elements enabling interactions between Sa Sa beauty consultants and customers in different channels. As such, the Group will effectively broaden its customer base to different target consumer groups, while playing a complementary role with Sa Sa's own shopping website.

Malaysia

After the complete closure of all the Group's retail stores in Singapore by March 2020, our Malaysia management team will focus more on this profitable market.

Malaysia has experienced a challenging time with the country undergoing significant political upheaval, followed by the COVID-19 outbreak. The unexpected change of the ruling party on 1 March 2020 is expected to impact existing government policies. This political turmoil has led to an uncertain future for local consumer spending. Against the backdrop of a gloomy outlook for retail sales projected by the Malaysian government, a stimulus package has been launched for various industries including aviation, retailing and tourism to cushion the impact.

Continuous efforts will be made to negotiate with landlords and business partners for cost reduction, as well as to exercise stringent controls on cost and inventory to remain at a healthy cash and stock level. We will continue to boost online sales and use O2O to recover sales due to temporary shop closures and to reach the untapped audience in Malaysia after the pandemic. Mobile apps for click-and-collect were launched by February 2020 and for direct delivery service thereafter. We aim to optimise the in-store experience with better services and engagement, both offline and online.

Looking forward, the Group remains prudent in terms of store opening, with an emphasis on improving the same store sales performance of our store network. Frontline staff productivity will be enhanced in order to achieve organic growth. Store visual display will also be upgraded to draw foot traffic. We will adjust the product sourcing strategy to match with customer preferences and market trends. Skincare products are traditionally more attractive to domestic Chinese customers. These will be one of our key product focuses next year as the sales of make-up products and fragrances may slow due to COVID-19. Health-related and personal protection products are another two product categories on which we will focus.

Due to the above changes in the product mix under the influence of COVID-19, we will revisit the influencer engagement ratio for Malay and Chinese to attract more Chinese customers next year, although we will still grow our Malay segment in the long run. In addition, we plan to work together with brand principals to organise more skincare workshops to attract domestic Chinese customers in the coming year.

FY2020/21 Q1 operational sales data (continuing operations)

For the first quarter from 1 April to 14 June 2020, the Group's retail and wholesale turnover decreased by 69.5% compared to the same period last year. The year-on-year changes of retail sales and same store sales are shown in the table below.

In local currencies

	YoY Change (%)	
	Retail Sales	Same Store Sales
HK & Macau SARs	-75.9%	-72.6%
Mainland China	-15.3%	-1.2%
Malaysia	-48.9%	-5.6%
E-commerce	-22.7%	-
Group turnover	-69.5%	-

Remarks: The above data includes the impact of Deferred Income Adjustment for VIP bonus points

Human Resources

As at 31 March 2020, the Group had around 3,700 employees. The Group's staff costs for the year under review were HK\$1,027.3 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 2020.

Financial Review

Capital Resources and Liquidity

As at 31 March 2020, the Group's total equity funds amounted to HK\$1,664.3 million including reserves of HK\$1,354.0 million. The Group continued to maintain a strong financial position with cash and bank balances of HK\$641.5 million. The Group's working capital amounted to HK\$927.9 million. Net cash generated from operating activities for the year was HK\$648.6 million compared with last year of HK\$346.2 million. The increase is due to the adoption of HKFRS 16, "Leases" under which the payment of lease liabilities (including interest) of HK\$774.5 million are classified as financing activities rather than as operating activities as in last year. Based on the Group's steady cash inflow from operations, coupled with sufficient cash and bank balances and readily available banking facilities and considering the potential impact of COVID-19 outbreak on the Group's operation, the Group has adequate liquidity and financial resources to meet the working capital requirements 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, Singapore dollar, US dollar, Renminbi, and Swiss Franc and deposited in reputable financial institutions with maturity dates falling within a year. This is in line with the Group's treasury policy to maintain liquidity of its funds and continue to contribute a relatively stable yield to the Group.

Financial Position

Total funds employed (representing total equity) as at 31 March 2020 were HK\$1,664.3 million, representing a 33.1% decrease over the funds employed of HK\$2,486.6 million as at 31 March 2019.

The gearing ratio, defined as the ratio of total borrowings to total equity, was zero as at 31 March 2020 and 2019.

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 2020, 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 2020.

Capital Commitments

As at 31 March 2020, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK\$14.6 million.

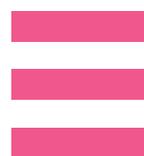
Conclusion

The COVID-19 outbreak has become a global issue, which is impacting all markets where Sa Sa operates. Although the governments of various countries have launched a series of relief measures to support the industry, the retail market is expected to remain challenging in the near term.

The Group's top priority is to retain our strength by continuously and closely monitoring costs, inventory and cash while streamlining work processes, so as to improve our operational and cost efficiencies as well as profitability. We will also safeguard the interests and livelihood of our employees, and prepare ourselves to benefit as soon as the consumer market revives.

Capitalising on our physical store network, professional beauty consultant team, maturing nationwide logistics capabilities as well as our e-commerce touch points, we are confident of moving the Sa Sa brand forward in the New Retail era, and of creating a seamless O2O shopping experience for our customers.

Although the road to recovery is full of challenges, we believe that, with the management and entire staff working closely together, Sa Sa will achieve a common goal of restoring profitability and delivering long-term value. We believe that Sa Sa's agility and responsiveness will remain its core competency, leading the Group through this difficult time and laying a solid foundation for the development of the New Retail model in the future.



Biographical Information of Directors & Senior Management

“I would like to express my deepest gratitude to all my Sa Sa colleagues for their resilience and loyalty as we strive to navigate these difficult times.”



★ Dr KWOK Siu Ming Simon, SBS, JP

◆ Chairman and Chief Executive Officer

★ Dr KWOK LAW Kwai Chun Eleanor, BBS, JP

◆ Vice-chairman

Executive Directors

Dr KWOK Siu Ming Simon, SBS, JP Chairman and Chief Executive Officer^{S^A}

Dr Kwok is the Chief Executive Officer, an executive director of the Company, the Chairman of the Board and the Chairman of both the Executive Committee and the Risk Management Committee of the Company. Dr Kwok together with his wife, Dr KWOK LAW Kwai Chun Eleanor, has overseen Sa Sa's operations since the Group's earliest days and successfully listed the Company on the Stock Exchange in June 1997. Over the past 42 years, Dr Kwok has played a leading role in transforming Sa Sa into a leading market player with a regional network of operations in Asia. Dr Kwok is currently a member of the Electoral Conference for Electing Deputies of the Hong Kong Special Administrative Region to the 13th National People's Congress, a member of the Election Committee in the Wholesale and Retail subsector, the Honorable Life President of the Cosmetic & Perfumery Association of Hong Kong, the Honorary Founding President of the Professional Validation Centre of Hong Kong Business Sector, and the Honorary Life President of the Hong Kong Brands Protection Alliance, a council member of China Overseas Friendship Association, and a member and a Deputy Director of Economic Affairs Committee of the 8th Board of Directors of Friends of Hong Kong Association. Dr Kwok was also a committee member of the Chinese People's Political Consultative Conference of Hubei Province (2008 – 2017), Chairman of Quality Tourism Services Association (Dec 2013 – Dec 2017), the Honorary President of the Immigration Service Officers Association (2014 – 2016), the Adviser of Quality Tourism Services Association (Dec 2017 – Dec 2019), and a member of Quality Tourism Services Committee and the Chairman of Quality Tourism Services Sub-Committee of Hong Kong Tourism Board (2016 – 2019). He is also an elected member of the Board of Trustees of New Asia College, The Chinese University of Hong Kong.

Dr Kwok was named "Business Person of the Year" at the DHL/SCMP Hong Kong Business Awards 2018. He also received the "Best IR by Chairman/CEO" (small-cap category) from Hong Kong Investor Relations Association for fourth consecutive years from 2016 to 2019 and was selected for the "CAPITAL Leaders of Excellence 2014" by CAPITAL Magazine in 2015. In 2014, he received the "Global Outstanding Chinese Award" from the "Global Outstanding Chinese Association" and was selected for the "Who's Who Leadership Award Scheme" by the Asian College of Knowledge Management. In 2012, he received the "China Cosmetic Retail Industry Special Contribution Award" from the Circulation Industry Promotion Centre of Chinese Ministry of Commerce and the China Beauty Expo Organising Committee. Dr Kwok was an awardee in "The Directors of the Year Awards 2011" in the Listed Companies (SEHK – Non Hang Seng Index Constituents) category organised by the Hong Kong Institute of Directors, a winner of the "Owner-Operator Award" at the DHL/SCMP Hong Kong Business Awards 2007 and a winner in the Retail Category in the "Ernst & Young Entrepreneur of the Year Awards China 2006". Dr Kwok was elected University Fellow by The Hong Kong Polytechnic University in 2012, received the degree of Doctor of Business Administration *honoris causa* from the Open University of Hong Kong in 2011, and an *honoris causa* doctorate degree in Business Administration from Lingnan University in 2008.

Dr Kwok is an active participant in the work of charities. He is the Second Vice-president (2011 – 2014 and 2016-2020) of the Community Chest of Hong Kong as well as Campaign Committee Chairman (2011-14 and 2016-2022), a member of the Board of Directors (2009-2015 and 2016-2022) and Vice Patron (since 2015). Dr Kwok is also a Vice-chairman of the Second & Third Board of Hongkong Kowloon Charitable Foundation Association Limited (2014-2019), a Committee Member of Heifer International (since 2009), a Board Member of Concerted Efforts Resource Centre (since 2009), an Executive Board Member of the Hong Kong AIDS Foundation (since 2006), and an Honorary Advisor and member (since 2006) of The Hong Kong Committee for the China AIDS Initiative.

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

Dr Kwok is the father of Ms Kwok Sze Wai Melody, brother-in-law of Mr Law Kin Ming Peter. He is 67 years old.

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

Biographical Information of Directors & Senior Management

Dr KWOK LAW Kwai Chun Eleanor, BBS, JP Vice-chairman^{A#S^}

One of the founders of the Group, an executive director of the Company and the Vice-chairman of the Board. She is a member of the Executive Committee, Remuneration Committee, Nomination Committee and Risk Management Committee of the Company. Dr Kwok has more than 40 years of experience in the sales and marketing of beauty products. With extensive professional knowledge and many years of experience in cosmetics retailing, she pioneered the unique operational concept of open-shelf display of beauty products, making shopping a more enjoyable experience. Dr Kwok plays a leading role in the marketing, operations, human resources and staff training functions of the Group.

Dr Kwok was awarded the "Women of Hope 2019 Entrepreneur Award" by Hong Kong Adventist Hospital Foundation in 2019. She was honoured the "Excellent Businesswomen" by Hong Kong Commercial Daily, the "Asian Outstanding Leaders Awards for Women" by Asian College of Knowledge Management and the "Asian Social Caring Leadership Award" by Social Enterprise Research Institute in 2017. Dr Kwok received "Most Successful Women Awards" by JESSICA Magazine in 2016. She was named "2013 Entrepreneur of the Year" in the Asia Pacific Entrepreneurship Awards 2013 Hong Kong by Enterprise Asia and received "The Excellent Award in Hong Kong Beauty Industry 2012/13" from the International CICA Association of Esthetic-CIDESCO Section China in 2012. Dr Kwok won the "Outstanding Women Entrepreneurs" award of the Hong Kong Women Professionals & Entrepreneurs Association in 2008, and received the "World Outstanding Chinese" award from the World Outstanding Chinese Association and World Chinese Business Investment Foundation in 2005. She was conferred an Honorary Doctorate of Management by Morrison University, USA, and an Honorary Fellowship by the Professional Validation Centre of Hong Kong Business Sector.

Dr Kwok is actively involved in chamber of commerce and charity activities. She is currently the Honorable President of the Cosmetic & Perfumery Association of Hong Kong (since 2009), President of Sa Sa Making Life Beautiful Charity Fund (since 2013), the Vice President of the Hong Kong Girl Guides Association (since 2012), Senator of the Hong Kong Federation of Women (2015-2021), the Honorary President of the Hong Kong Federation of Women (since 2005), Committee Member of Hong Kong Federation of Women Entrepreneurs Committee (since 2004) and was a patron of Caritas Fund Raising Campaign (since 2006). Dr Kwok was also the Adviser (April 2017 – March 2018), Chairman (April 2016-March 2017), the Vice-chairman (April 2012-March 2016), Director (2006-2012) of Po Leung Kuk, initiating the "Making Life Beautiful" Beauty Ambassador Training Programme (2008 and 2009) and "Sa Sa Eternal Beauty" Charitable Programme (2018-2019) of Po Leung Kuk together with Sa Sa. She was also the Committee Member of the Major Sports Events Committee (2015-2018).

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

Dr Kwok is the wife of Dr Kwok Siu Ming Simon, mother of Ms Kwok Sze Wai Melody, and the sister of Mr Law Kin Ming Peter. She is 66 years old.

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

Dr Look is the Chief Financial Officer and executive director of the Company, and a director of certain subsidiaries of the Group. Dr Look has over 35 years of experience in local and overseas financial and general management. Prior to joining Sa Sa in March 2002, he was the Chief Financial Officer and an executive director of Tom.com Limited (renamed TOM Group Ltd.). He holds a Bachelor's degree in Commerce and received a degree of Doctor of the University honoris causa from the University of Birmingham, England. Dr Look is an associate member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Dr Look is a member of the Executive Committee and the Education & Training Sub-Committee and the Chairman of the e-Commerce Sub-Committee of the Hong Kong Retail Management Association, a member of the CNBC Global CFO Council and a fellow member and a member of the Advisory Board of the Hong Kong Investor Relations Association.

Dr Look is a cousin of Ms. Lee Yun Chun Marie-Christine. Details of his interest in the shares and underlying shares in the Company are set out in the "Report of the Directors". Dr Look was an independent non-executive director of Café de Coral Holdings Limited, a company listed in Hong Kong, until his retirement on 11 September 2012. Dr Look does not hold any other directorship in other listed companies in the past three years. He is 63 years old.

Ms KWOK Sze Wai Melody⁵

Ms Kwok is an executive director of the Company and a member of the Executive Committee of the Company. Ms Kwok joined the Group in 2005 as management trainee and have held various positions within the Group over the years. She was promoted to Vice President, Corporate Strategy & Development in April 2018, with oversight over business development strategy, marketing, brand management and product development.

Ms Kwok is a member of the Guangzhou Committee of the Chinese People's Political Consultative Conference. With extensive experience in cosmetic retailing, she has been President of the Cosmetic & Perfumery Association of Hong Kong since 2017, diligently promoting solidarity and safeguarding the interests of the Hong Kong cosmetic industry. She is also an executive director of the Hong Kong Federation of Guangzhou Associations (since 2015), Council Member of the Council of Guangzhou Overseas Friendship-Liaison Association (since 2013), Honorary Advisor of the Hong Kong Island Women's Association (since 2018), Founding Honorary Advisor of the Hong Kong O2O E-commerce Federation (since 2017) and Honorary President of International Beauty Professionals Validation Association (2014-2020). Ms Kwok was also a Council Member of the Hong Kong Health Food Association (2016-2019).

Actively involved in community service and philanthropic activities, Ms Kwok has been Chairman (2010-2016) and President (since 2016) of the Southern District Association and Honorary Vice-President of the Hong Kong Girl Guides Association (since 2013). She also supported the establishment of Sa Sa's first charity foundation "Sa Sa Making Life Beautiful Charity Fund" and acts as its Vice-chairman, working closely with numerous influential non-profit organisations. In 2020, Ms Kwok received the "Distinguished Service Award" by The Hong Kong Girl Guides Association. In 2019, she was named "CMO Marketer of the Year" by Hong Kong Institute of Marketing (HKIM), in recognition of her outstanding achievement and contribution in marketing strategy development. She was awarded the "Golden Bauhinia Women Entrepreneur Award" by the Golden Bauhinia Women Entrepreneur Association in 2016 and "Junior Chamber International City Lady Award" in 2014, in recognition of her contribution to society as well as art and culture.

Ms Kwok graduated from RMIT University, Australia, in 2002 with a Bachelor of Business degree. She obtained a Master's degree in International Business from Monash University, Australia, in 2004. She was conferred an Honorary Fellowship by the Professional Validation Centre of Hong Kong Business Sector in 2019.

Ms Kwok Sze Wai Melody is the daughter of Dr Kwok Siu Ming Simon and Dr Kwok Law Kwai Chun Eleanor, and the niece of Mr Law Kin Ming Peter. She is 42 years old.

Independent Non-Executive Directors

Ms KI Man Fung Leonie, GBS, SBS, JP*^Δ#

Appointed as an independent non-executive director of the Company in December 2006. Ms Ki is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. She is currently a non-executive director of New World Development Company Limited which is a listed company in Hong Kong. She has more than 40 years of experience in integrated communication and marketing services. She was the founder, partner and Chairman/Chief Executive Officer of Grey Hong Kong Advertising Limited and Grey China Advertising Limited. Ms Ki is committed to community and public services. She was the first Chief Executive of The Better Hong Kong Foundation. She is currently a Director of PMQ Management Company Limited, Founder and Honorable President of Wu Zhi Qiao Charitable Foundation, a member of the Asian Advisory Board of Cheng Yu Tung Management Institute, Richard Ivey School of Business (University of Western Ontario, Canada), a member of the Advisory Board of the EMBA Programme of The Chinese University of Hong Kong, an honorable member of Youth Outreach, and the Musicus Society, and also a member of Hong Kong Institute of Construction Management Board. Ms. Ki is a recipient of Honorary University Fellowship from The Open University of Hong Kong and The University of Hong Kong. She has been awarded the honour of Beta Gamma Sigma by the Faculty of Business Administration of The Chinese University of Hong Kong, and Justice of the Peace, Silver Bauhinia Star and Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region. She also has been appointed as a member of the 12th Chinese People's Political Consultative Conference (CPPCC) National Committee in 2013 and a member of the 10th, 11th & 12th CPPCC Yunnan Provincial Committee. She is 73 years old.

Mr TAN Wee Seng*[#]

Appointed as a non-executive director of the Company on 11 March 2010 and was re-designated from a non-executive director to an independent non-executive director on 26 June 2012. Mr Tan is the Chairman of the Audit Committee and the Nomination Committee of the Company. Mr Tan is a professional in value and business management consultancy. He is an independent director and Chairman of Audit Committee of ReneSola Ltd whose shares are listed on the New York Stock Exchange, an independent non-executive director and Chairman of Audit Committee of Xtep International Holdings Limited, Sinopharm Group Co. Ltd. and CIFI Holdings (Group) Co. Ltd., an independent non-executive director and Chairman of Remuneration Committee of Health and Happiness (H&H) International Holdings Limited and an independent non-executive director, Chairman of Audit Committee and Remuneration Committee of Shineroad International Holdings Limited, all the shares of which are listed on the Main Board of the Stock Exchange. He is also a board member and Chairman of the Finance and Operation Committee of Beijing City International School. Mr Tan was an independent director and Chairman of the Audit Committee of 7 Days Group Holdings Limited whose shares were listed on the New York Stock Exchange between November 2009 and July 2013 until it was privatised. He was the Chairman of the Special Committee for Privatization of 7 Days Group Holdings Limited from October 2012 to July 2013. Mr Tan has 37 years of financial, operation and business strategy as well as management experience and has also held various senior management positions in a number of multinational and Chinese corporations. From 2003 to 2008, he was an executive director, Chief Financial Officer and Company Secretary of Li Ning Company Limited, the shares of which are listed on the Main Board of the Stock Exchange. From 1999 to 2002, he was the Senior Vice President of Reuters for the China, Mongolia and North Korea regions, and the Chief Representative of Reuters in China. Mr Tan is a fellow member of the Chartered Institute of Management Accountants, United Kingdom, and a fellow member of the Hong Kong Institute of Directors. He is 64 years old.

Mr CHAN Hiu Fung Nicholas, MH*^Δ

Appointed as an independent non-executive director of the Company on 2 September 2019. Mr Chan is a member of the Audit Committee and the Remuneration Committee of the Company. Mr Chan is a partner of an international law firm Squire Patton Boggs. He graduated from the University of Melbourne, Australia, in 1997 with a Bachelor of Laws degree and a Bachelor of Science (Computer Science) degree, and has been a solicitor in Hong Kong since May 1999. He was also admitted to the roll of solicitors in the following jurisdictions (but now non-practising): Australia Capital Territory (June 1997), State of Victoria in Australia (October 2000), and England and Wales (October 2007). He is also a China Appointed Attesting Officer.

Mr Chan is an independent non-executive director, Chairman of the Remuneration Committee, member of the Audit Committee, member of the Nomination Committee and member of the Risk Management Committee of Q P Group Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange of Hong Kong.

Mr Chan is a member of the 13th National People's Congress of the People's Republic of China (April 2019 – around March 2023), and a Chairman, adjudicator or panel member of a number of appeal boards or advisory committee in the Hong Kong Special Administrative Region, including: member of the Advisory Committee on Promotion of Arbitration (August 2018 – March 2021), member of the Innovation and Technology Commission "Innovation and Technology Venture Fund" Advisory Committee (June 2017 – June 2021), member of the Legal Aid Services Council (September 2018 – August 2020), Chairman of the Appeal Tribunal Panel (Buildings) (December 2012 – December 2020), and substantive member of the Human Organ Transplant Board (February 2018 – February 2021).

Mr Chan is currently Vice-Chairman of the InnoTech Committee of The Law Society of Hong Kong, Chairman of eBRAM International Online Dispute Resolution Centre Limited (since 2018), Council Member of Fu Hong Society (since November 2018), Council Member of The Hong Kong University of Science and Technology (since April 2016), member of the PCLL Academic Board of The University of Hong Kong, member of the PCLL Academic Board of the City University of Hong Kong, member of The Hong Kong Polytechnic University Entrepreneurial Programmes Management Committee, Hospital Governing Committee Member of Castle Peak Hospital and Siu Lam Hospital, Independent Member of the Travel Industry Council of Hong Kong Appeal Board, and member of the Hong Kong Athletes Career and Education Programme Committee, Sports Federation & Olympic Committee of Hong Kong, China.

Mr Chan is also the Honorary Legal Advisor of some charities and trade associations including the Hong Kong Association of Interactive Marketing (HKAIM), Hong Kong Creative Industries Association (HKCIA), e-Learning Consortium, Hong Kong General Chamber of Cross-border E-Commerce (HKGCCCE), Hong Kong Information Technology Federation (HKITF), Hong Kong Internet Service Providers Association (HKISPA), Hong Kong O2O E-Commerce Federation, and International Federation of Creativity and Technology (IFOCAT).

Mr Chan was a Council member of The Law Society of Hong Kong (December 2014 – 30 May 2019), member of HKSAR Passports Appeal Board (October 2011 – October 2017), adjudicator of the Immigration Tribunal (October 2013 – October 2019) and member of Solicitors Disciplinary Tribunal Panel in the Hong Kong Special Administrative Region (September 2010 – September 2016). He is 47 years old.

Non-Executive Director

Ms LEE Yun Chun Marie-Christine

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

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

Biographical Information of Directors & Senior Management

Ms Lee is committed to community work. She is a lifetime founding benefactor of The Nature Conservancy, USA, and is a founder of a non-profit charitable organisation, Sports for Hope Foundation, providing funding to highly-talented young underprivileged athletes who lack financial means to further their passion. Ms Lee obtained a Bachelor of Science in Biochemistry and Nutritional Sciences from Simmons College, Boston, United States and was conferred an Honorary Fellowship by King's College, London for the cancer research programme at the Guy's Hospital. She is a cousin of Dr Look Guy. She is 60 years old.

Senior Management

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

Joined Sa Sa in January 1996, Mr Law was appointed as Senior Vice President, Category Management and Product Development in January 2008. He has more than 35 years of experience in the field of sales and marketing, 23 of which were in senior management positions. He is also a director of a subsidiary of the Group. Mr Law oversees the Group's category management and product development function. He is also responsible for the Group's acquisition of exclusive distribution rights of international brands and the development of the Group's house brand products. He holds a Bachelor's degree in Arts majoring in Communications Studies from the University of Windsor, Ontario, Canada and pursued a Bachelor's degree in Commerce later. Mr Law is the Honorary Advisor of the Cosmetic & Perfumery Association of Hong Kong. Mr Law is the brother of Dr Kwok Law Kwai Chun Eleanor, the brother-in-law of Dr Kwok Siu Ming Simon and the uncle of Ms Kwok Sze Wai Melody. He is 64 years old.

Ms MAK Sum Wun Simmy Senior Vice President, General Counsel and Company Secretary

Ms Mak was General Counsel and Company Secretary of the Company from September 2009 to September 2012. She re-joined Sa Sa in October 2014 and was promoted to her present position in April 2018. Ms Mak holds a Bachelor of Laws degree from Cardiff University, a Master's degree in International Laws from Peking University, and a Master of Science degree in Finance from The Chinese University of Hong Kong. She was admitted as a solicitor in Hong Kong and in England and Wales in 1993, and was called to the Bar in Hong Kong in 2001. She remained as a barrister in Hong Kong until 2008 when her name was restored to the roll of solicitors in Hong Kong. Ms Mak has over 20 years of experience in legal and company secretarial practices. She is 54 years old.

"Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China.

Corporate Governance Report

“At Sa Sa, we recognise the importance of good corporate governance in delivering long-term, sustainable results. We are therefore committed to maintaining the highest standards of corporate governance.”

Highlights in Corporate Governance Practices for 2019/20

Below are the highlights of our ongoing initiatives for the development of our corporate governance practices during the year ended 31 March 2020:

Board Evaluation

- A robust and comprehensive board evaluation was conducted in the year ended 31 March 2020 pursuant to which board composition and effectiveness, and the skills required of directors in an evolving market environment and in the context of the Company's long-term strategy were critically examined.
- The Board was subsequently refreshed and re-composed.

Board Refreshment

- The Board was refreshed and re-composed with the retirement of a long-tenured independent non-executive director and the appointment of one additional executive director and one independent non-executive director.
- As a result, the average age of our board members came down by seven years, and the number of INEDs who have served the Company for more than nine years went down by 33%.
- Board size increased from seven to eight members.
- One of the newly appointed directors possesses the much-needed skills of information technology.
- The Nomination Committee was also re-composed with the appointment of a new chair.
- The refreshed board possesses greater diversity and broader perspectives and is well-positioned to guide the Company through its current challenges.

Active Participation of Directors

- Our directors continued to actively participate and contribute to the Company's affairs.
- Four board meetings and 15 board committee meetings were held in the year with 100% attendance by the directors in board meetings and meetings of the Audit Committee, Nomination Committee and Remuneration Committee.
- Representatives from management attended some of these meetings ensuring a two-way flow of information and organisational effectiveness.

Compliance with Corporate Governance Code (CG Code)

The CG Code is the standard against which we measure ourselves. Throughout the year ended 31 March 2020, we have complied with all but two of the code provisions in the CG Code, but we also exceeded the CG Code in the following aspects:

- ✓ The Board evaluates its own performance and that of its committees every two years. Findings of the evaluations were considered and the board was refreshed and re-composed in the financial year with the retirement of a long-tenured independent non-executive director and the appointment of two additional 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 as opposed to the majority.
- ✓ 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 terms 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 performance for all four quarters of the financial year and provided sales updates of our retail business in Hong Kong and Macau after the Chinese New Year and Labour Day Holiday.
- ✓ Among other policies, we have a Whistleblowing Policy for employees, a Gifts and Entertainment Policy, and Guidelines on Prevention of Bribery Ordinance, all of which are published on our corporate website.
- ✓ We give 29 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.

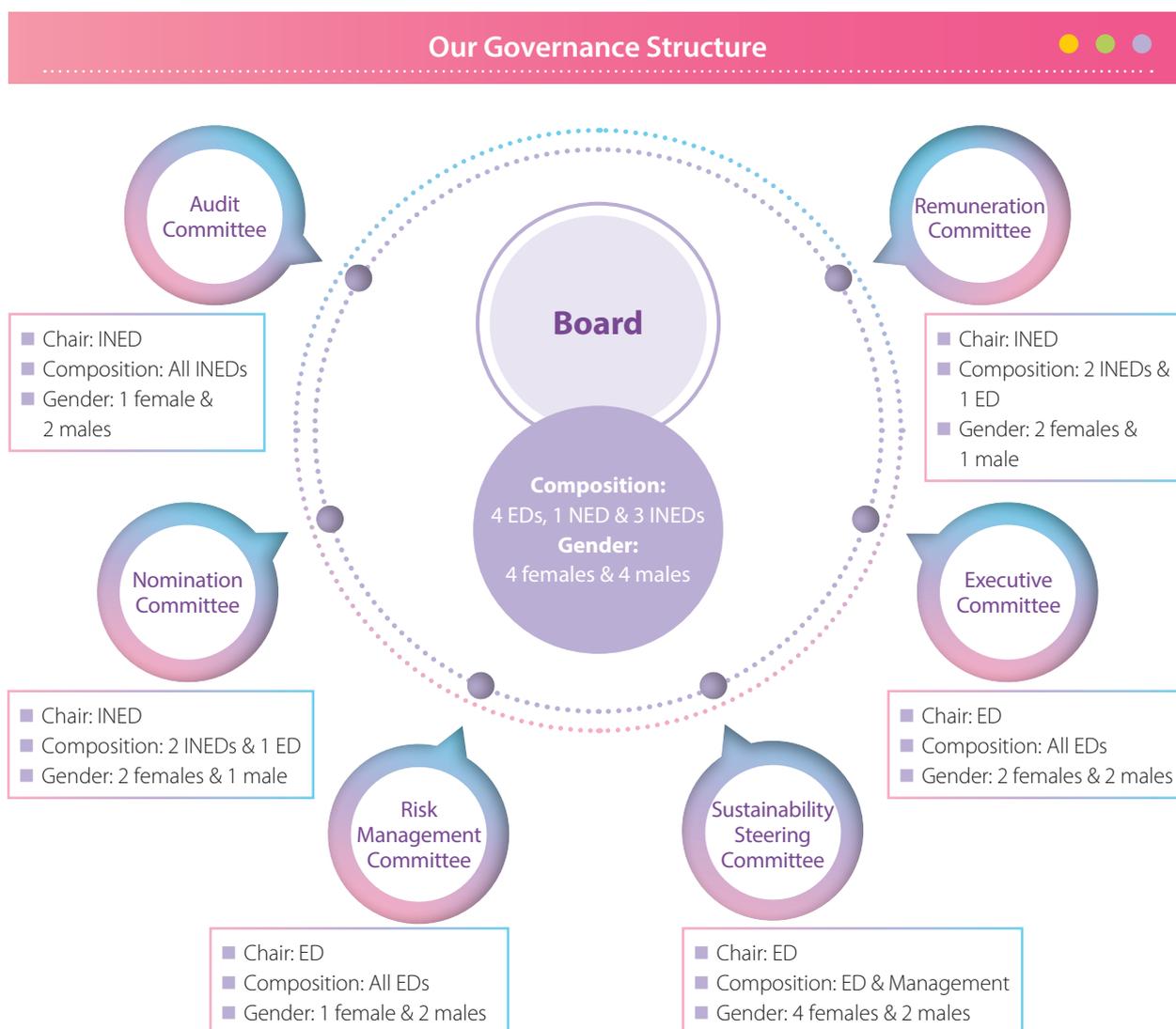
Deviation from the Corporate Governance Code

Code Provision A.2.1

The roles of chairman and chief executive should be separate and should not be performed by the same individual under code provision A.2.1 of the CG Code. We have deviated from the code in that Dr KWOK Siu Ming Simon is both the chairman and CEO of the Company. 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.

Code Provision E.1.2

This code provides that the chairman of the Board should attend the annual general meeting of the Company. In the year ended 31 March 2020, we have deviated from the code as our board chairman did not attend the annual general meeting on 2 September 2019 because he was unwell on that day. The vice-chairman of the board was chosen by the directors present to act as chairman of the meeting and it proceeded smoothly with the attendance of the external auditor and all board members except the board chairman.



Corporate Governance at Sa Sa

BOARD EFFECTIVENESS

- 8 directors
- INEDs: 37%
- Female directors: 50%
- Average age: 60
- Board meeting attendance rate: 100%
- INEDs serving more than nine years: 67%
- Board evaluation: every two years
- Diversified board with multiple perspectives and a balanced range of skills and experience

AUDIT AND RISK

- 100% INEDs
- Audit Committee meeting attendance rate: 100%
- Audit committee meets with external auditor annually without presence of EDs
- Internal audit function in place
- Risk Management Committee established
- Enterprise risk management system in place
- Whistle-blowing policy
- Policy in place to safeguard objectivity and independence of external auditor

STAKEHOLDERS

- Regular engagement
- Dividend policy
- Shareholders communication policy
- Shareholders rights explained on Company's website

Leadership

Composition of the Board and Board Committees

Board*



- | | |
|---|---------------------------------|
| Dr KWOK Siu Ming Simon (Chairman and Chief Executive Officer) | Ms LEE Yun Chun Marie-Christine |
| Dr KWOK LAW Kwai Chun Eleanor (Vice-chairman) | Ms KI Man Fung Leonie |
| Dr LOOK Guy (Chief Financial Officer) | Mr TAN Wee Seng |
| Ms KWOK Sze Wai Melody# | Mr CHAN Hiu Fung Nicholas# |

Audit Committee



- Mr TAN Wee Seng (Chair)
- Ms KI Man Fung Leonie
- Mr CHAN Hiu Fung Nicholas#

Nomination Committee



- Mr TAN Wee Seng (Chair)#
- Dr KWOK LAW Kwai Chun Eleanor
- Ms KI Man Fung Leonie

Remuneration Committee



- Ms KI Man Fung Leonie (Chair)
- Dr KWOK LAW Kwai Chun Eleanor
- Mr CHAN Hiu Fung Nicholas#

Executive Committee



- Dr KWOK Siu Ming Simon (Chair)
- Dr KWOK LAW Kwai Chun Eleanor
- Dr LOOK Guy
- Ms KWOK Sze Wai Melody#

Risk Management Committee



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

Note: * Ms TAM Wai Chu Maria retired as INED and ceased to be Chairman of the Nomination Committee, member of the Audit Committee and member of the Remuneration Committee with effect from the conclusion of the AGM held on 2 September 2019.
Appointed on 2 September 2019.

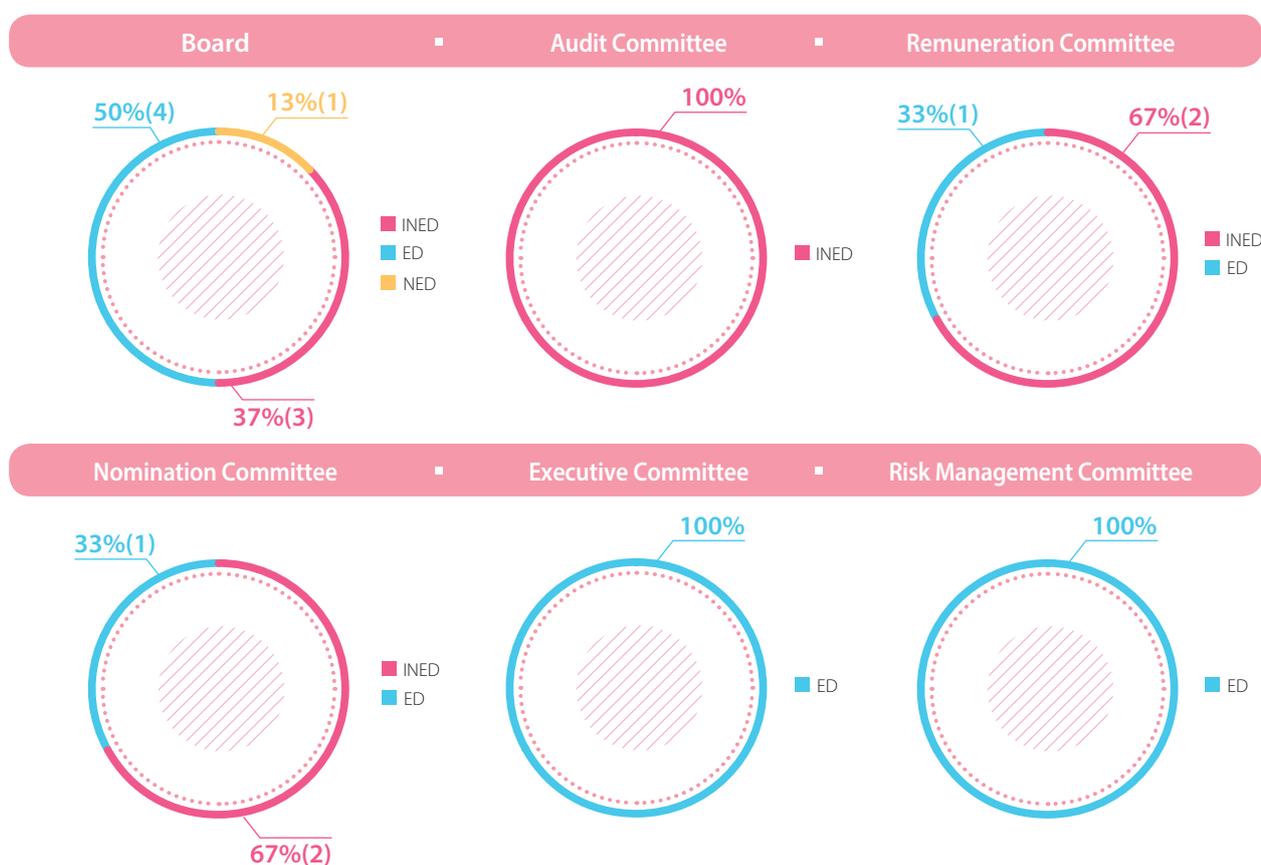
The Board has a balanced composition, comprising four executive directors, one non-executive director and three independent non-executive directors. This composition well fulfils the parameters of the CG Code, which requires listed issuers to have independent non-executive directors representing at least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

The biographical details of each of our directors, including the relationship between Board members, are set out on pages 54 to 60 of this Annual Report. An updated list of our directors, identifying their respective roles and functions together with their biographical details, is available on the Stock 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. The Audit Committee, Remuneration Committee and Nomination Committees are each chaired by an independent non-executive director.

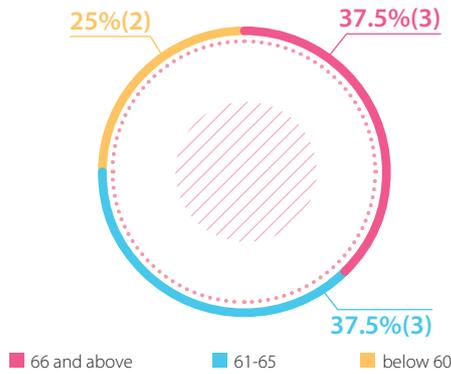
Board Independence



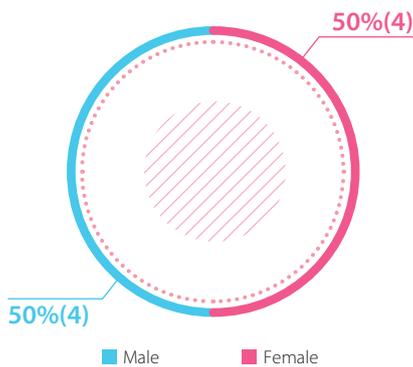
Some of our INEDs have served as our Board members for more than nine years. While this could be relevant to the determination of independence, it is well recognised that an individual’s independence cannot be determined arbitrarily on the basis of a set period of time. In assessing the independence of INEDs, the Board and the Nomination Committee consider the 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 are of the view that the INEDs who have served more than nine years, namely Ms KI Man Fung Leonie and Mr TAN Wee Seng, despite their length of service, provide invaluable expertise, experience, continuity and stability to the Board. There is no evidence that their length of services has any impact on their independence. We are confident that the Company has benefited greatly from their contribution and valuable insights derived from their indepth knowledge of the Company. The Board is of the view that each of our INEDs meets the independence guidelines as set out in Rule 3.13 of the Listing Rules and that they are able to continue to fulfill their roles as required.

Board Diversity

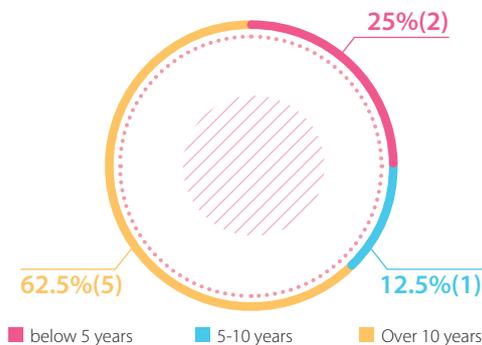
Age Diversity



Gender Diversity



Length of Services



Diversity of expertise

- Retail
- Finance and Accounting
- Law
- Branding and Marketing
- Talent Management
- Mainland Market
- Community Services
- Management
- IT

We recognise the benefit and value of diversity across the organisation, and endorse the view that a diverse board, with a breadth of perspective, is one of the key drivers of an effective board.

We have a highly diversified Board in terms of age, gender, academic background, nationality, professional experience, and industry experience. Over 37% of our directors have either obtained a PhD or have been conferred an Honorary Doctorate degree. We have directors with in-depth knowledge of the Mainland, a market on which we place great emphasis. Collectively, the Board possesses experience in retail, finance and accounting, law, branding and marketing, talent management, Mainland market, community services and management, and since September 2019, technology.

We appointed Ms KWOK Sze Wai Melody as executive director and Mr CHAN Hiu Fung Nicholas as independent non-executive director on 2 September 2019. Ms Kwok holds a Bachelor of Business degree and a Master’s degree in International Business, while Mr Chan is a technology lawyer holding both a Bachelor of Laws degree and a Bachelor of Science (Computer Science) degree. The Nomination Committee and the Board are satisfied that their background and their age brought greater diversity to the Board, and that their experiences in business, law, technology, public and community services would provide insightful perspectives and complement the skill mix of the Board. Our board size increased from seven to eight, and the average age of the refreshed board is 60 as opposed to 67 in the previous financial year. The percentage of our INEDs who have served more than nine years also decreased to 67%.

Our Board Diversity Policy reinforces the significant role women directors play in the Company and pledges to ensure a strong female representation at board level. Women directors made up 50% of our Board members as at 31 March 2020. The policy will be reviewed periodically to ensure it remains relevant to the Company’s needs and reflects both regulatory requirements and good corporate governance practices. A full version of the policy is set out below. It can also be found on our corporate website.

Board Diversity Policy

Purpose

1. The Company recognises the benefit and value of diversity across the organisation, and endorses the view that a diverse board, with a breadth of perspective, is one of the key drivers of an effective board.
2. This policy sets out the framework in achieving board diversity in the Company.

Policy Statement

3. In considering and reviewing board composition, both the Nomination Committee and the Board will consider the benefits of all aspects of diversity, including age, gender, skills, knowledge, experience, expertise, professional and educational qualifications, background and other personal qualities of the directors. While the ultimate decision of all board appointments would be based on meritocracy and the contributions that the director candidate is expected to bring, considerable weight would be given to ensuring a diverse board with balanced composition.

Measurable Objectives

4. Women directors will continue to play a significant role in the Company and the Board will ensure there is strong female representation at board level.

Review and Monitoring

5. This policy will be reviewed periodically to ensure it remains relevant to the Company's needs and reflects both regulatory requirements and good corporate governance practices.

Language Version

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

Approval of this Policy

7. This policy was first adopted by resolutions of the directors passed on 16 August 2013, and last amended by resolutions of the directors passed on 20 February 2019.

Appointment and Re-election of Directors

All our NEDs (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 Annual General Meeting (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.

On 2 September 2019, the Board appointed Ms KWOK Sze Wai Melody as an additional ED and Mr CHAN Hiu Fung Nicholas as an additional INED in accordance with our Board Diversity Policy and Nomination Policy. Ms Kwok was the Vice President, Corporate Strategy & Development of the Company and has extensive experience on corporate strategy and business development, having joined the Company since 2005. Mr Chan is a technology lawyer and has experience in law, technology, public and community service. Both the Nomination Committee and the Board are satisfied that their background and their age bring greater diversity to the Board. The appointment of Ms Kwok and Mr Chan will further strengthen the Board. Both of them will hold office until the AGM to be held later on this year and are eligible for re-election by the shareholders of the Company.

Dr KWOK Siu Ming Simon, Dr KWOK LAW Kwai Chun Eleanor and Ms LEE Yun Chun Marie-Christine will retire at the AGM to be held in August 2020. All of them are eligible and would offer themselves for re-election by the shareholders at the AGM.

Further details in relation to the re-election of directors will be set out in the circular which will be dispatched to Shareholders together with the notice of AGM. 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 in the year under review.

Nomination Policy

Our Nomination Policy setting out the criteria, procedures and process to be adopted when considering director candidates to be appointed or re-appointed as directors was first adopted by the Board in 2012. The policy was last amended in the financial year ended 31 March 2019. One of the policy objectives is to ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

Our Nomination Criteria

When selecting a candidate to be nominated for directorship or re-appointment, considerations will be given to the following:

- (a) age, gender, skills, knowledge, experience, expertise, professional and educational qualifications, background and other personal qualities of the candidate;
- (b) effect on the board's composition and diversity;
- (c) ability and commitment of the candidate to devote sufficient time to effectively carry out his/her duties. In this regard, the number and nature of offices held by the candidate in public companies or organisations, and other executive appointments or significant commitments should be considered;
- (d) potential/actual conflicts of interest that may arise if the candidate is selected;
- (e) the contributions that the candidate is expected to bring;
- (f) independence of the candidate; and
- (g) other factors considered to be relevant on a case by case basis.

The following is a summary of the nomination procedures and process adopted by the Company for newly appointed directors. In cases of re-appointment of existing directors, a physical meeting would be held to consider the re-appointment based on the criteria set out above.

Nomination Committee

- Identifies or selects candidates, with or without assistance from external agencies or the Company, pursuant to the criteria set out above
- May use any process it deems appropriate to evaluate the candidates, which may include personal interviews, background checks, presentations, written submissions by the candidate or third party reference
- Holds a physical meeting to consider the matter and would avoid the making of decisions by written resolutions unless it is impractical that a physical meeting be held
- Provides all relevant information and makes recommendation to the Board, including the terms and conditions of the appointment
- If approved by the Board, the appointment would be confirmed by a letter of appointment approved by the Nomination Committee

Board

- Deliberates and decides on the appointment based upon the recommendation of the Nomination Committee
- Newly appointed directors may only hold office until the first AGM following the appointment. If eligible, they may stand for election by shareholders. A circular accompanying the notice of the AGM containing all relevant information would be sent to shareholders by the Board

Shareholders

- Vote on the directors' re-election at the Company's 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 INEDs without the presence of other directors every year since 2012. In his capacity as the CEO of the Company, Dr Kwok meets with the other executive directors and management team regularly to ensure that issues requiring attention are handled efficiently and in a timely manner.

A summary of the respective roles of the Chairman and the CEO is set out below:

Chairman

Board Effectiveness

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

Corporate Goals and Governance

- Takes primary responsibility for ensuring that good corporate governance practices and procedures are established.
- Ensures that the Board and management are committed to the maintenance of good corporate governance practices and procedures.
- Ensures that the management led by the CEO effectively implement the corporate goals and strategies formulated by the Board.

Board Business and Discussion

- The Chairman:
 - draws up the agenda for each Board meeting with the assistance of the Company Secretary;
 - ensures that all directors are properly briefed on issues arising at the Board meetings and on all other key and appropriate issues in a timely manner;
 - encourages all directors to make an active contribution to the Board's affairs and takes the lead in ensuring that the Board acts in the best interests of the Company;
 - encourages directors with different views to voice their concerns, and allows sufficient time for discussion of issues on which the Board can deliberate and reach decisions;
 - ensures that all directors receive, in a timely manner, meeting materials including supporting analysis and presentation materials which should be adequate, accurate, clear, complete and reliable; and
 - 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.

Communication with Shareholders

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

CEO

Management of the Group's Business and Affairs

- Provides leadership to the management.
- Ensures effective implementation of the strategies and objectives agreed by the Board.
- Responsible for the day-to-day management and business of the Group. Meets with management regularly to discuss and develop strategic operating plans in pursuance of meeting objectives of the Board and to maintain optimum operational performance.
- Leads management in the design, implementation and monitoring of the risk management and internal control systems.

Quality Information for the Board

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

Executive Directors

In the year ended 31 March 2020, we have four executive directors who together form the Executive Committee, whose role as leaders of management is to ensure that the management is accountable to the board. The role and responsibilities of and details of work done by the Executive Committee are set out on pages 76 and 80.

Non-Executive Directors (including INEDs)

Non-executive directors (including INEDs) are not part of the Company's management but they 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 judgements. They have not been reserved in asking questions and challenging management's views and recommendations, 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, and that the majority of the members of the Nomination Committee and Remuneration Committee are INEDs.

The Board and the Management

The Board is responsible for the overall conduct of the Group's affairs 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 refers to the executive directors and senior management on pages 55 to 57 and 60 of this annual report, and all vice-presidents, department directors and associate directors. They are responsible for the day-to-day operations, management and administration of the Group under the leadership of the Executive Directors led by the CEO (Executive Committee). They also execute and implement strategies and directions determined by the Board.

Their respective responsibilities are clearly established and set out in the Terms of Reference for the Board and the management, which is available on our corporate website. The management provides monthly updates to the Board to enable Board members to discharge their duties more effectively.

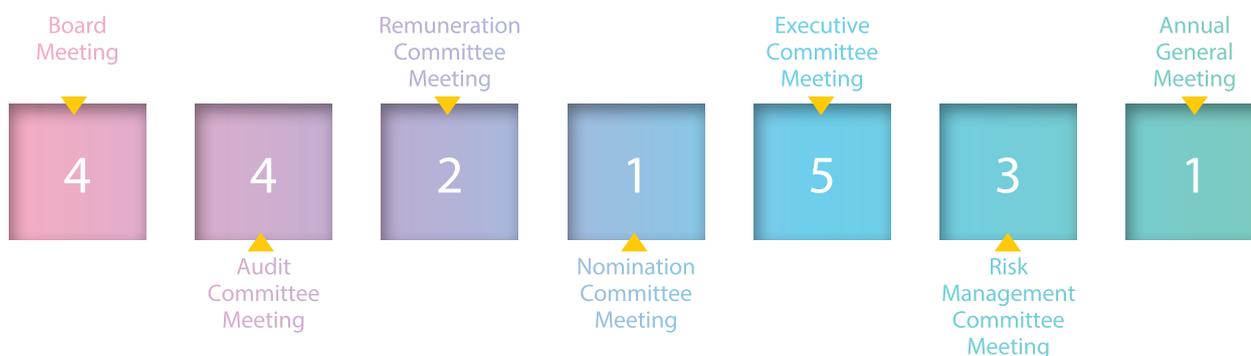
Members of our management are frequently invited to attend Board meetings to report and engage in discussion with the Board in respect of strategy, budget planning, progress and performance updates. This is to ensure that the Board has a general understanding of the Group's business so that they can make informed decisions for the benefit of the Group. Members of the management 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, five separate management meetings chaired by the CEO 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 bi-weekly basis to report, enhance and strengthen cross-departmental communications and coordination.

Board, Board Committees and Annual General Meeting

Number of Meetings in 2019/20



Attendance at Meetings

The following table shows the attendance of Directors at Board meetings, Board Committee meetings and AGM held during the year under review.

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Executive Committee	Risk Management Committee	Annual General Meeting
Executive Directors							
Dr KWOK Siu Ming Simon	4/4	4/4*	2/2*	1/1*	5/5	3/3	0/1
Dr KWOK LAW Kwai Chun Eleanor	4/4	4/4*	2/2	1/1	3/5	1/3	1/1
Dr LOOK Guy	4/4	4/4*	N/A	N/A	5/5	3/3	1/1
Ms KWOK Sze Wai Melody ^o	1/1	1/1*	N/A	N/A	3/3	N/A	N/A
Non-Executive Director							
Ms LEE Yun Chun Marie-Christine	4/4	4/4*	N/A	N/A	N/A	N/A	1/1
Independent Non-Executive Directors							
Ms TAM Wai Chu Maria [#]	3/3	3/3	2/2	1/1	N/A	N/A	1/1
Ms KI Man Fung Leonie	4/4	4/4	2/2	1/1	N/A	N/A	1/1
Mr TAN Wee Seng	4/4	4/4	N/A	N/A	N/A	N/A	1/1
Mr CHAN Hiu Fung Nicholas ^o	1/1	1/1	N/A	N/A	N/A	N/A	N/A
Total number of meetings	4	4	2	1	5	3	1
Average attendance rate of directors [^]	100%	100%	100%	100%	90%	77.8%	85.7%

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.

(^) Average attendance rate is calculated without the invitees.

(#) Ms TAM Wai Chu Maria retired as an INED upon conclusion of the AGM held on 2 September 2019.

(o) Ms KWOK Sze Wai Melody and Mr CHAN Hiu Fung Nicholas were appointed as directors of the Company on 2 September 2019.

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 the Chairman, or Committee Chairman, as appropriate.

Work done by the Board in the year ended 31 March 2020:



4 meetings (100% attendance rate)

Financial results

- ✓ Approved the annual results and annual report for the year ended 31 March 2019 including the annual results announcement.
- ✓ Approved the interim report and interim results announcement for the six months ended 30 September 2019.
- ✓ Approved the proposal for payment of final dividends for the year ended 31 March 2019 with scrip dividend alternative.
- ✓ Considered the unaudited 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).

Corporate governance

- ✓ Approved the re-appointment of Ms TAM Wai Chu Maria (from 24 June 2019 to the conclusion of the AGM on 2 September 2019) and Mr TAN Wee Seng as INEDs and the re-appointment of Ms LEE Yun Chun Marie-Christine as NED.
- ✓ Approved the re-elections of Dr LOOK Guy and Mr TAN Wee Seng as directors at the annual general meeting held on 2 September 2019.
- ✓ Approved the retirement of Ms TAM Wai Chu Maria as INED.
- ✓ Approved the appointments of Ms KWOK Sze Wai Melody as ED and member of the Executive Committee and Mr CHAN Hiu Fung Nicholas as INED, member of the Audit Committee and member of the Remuneration Committee.
- ✓ Approved the appointment of Mr TAN Wee Seng as Chairman of the Nomination Committee.
- ✓ Approved the re-appointment of PwC as auditor of the Company.
- ✓ Received reports from each of the Audit, Nomination and Remuneration Committees following each committee meeting.
- ✓ Discussed the result of the board evaluation conducted in April 2019 and corresponding action plan.
- ✓ Approved the revised terms of reference of the executive committee.
- ✓ Received the views of an institutional investor on ESG whose representative met with the Board in April 2019.
- ✓ Attended on-site training to refresh and enhance the Board's knowledge on the evolving role of directors and board effectiveness.



Dividend Policy

The Board formalised and adopted a Dividend Policy in February 2019. The main part of the policy is set out below.

Policy Statement

1. Factors to be considered when deciding on dividend payout include return to shareholders, cash needed for the Group's business operations, expansion and inventory, capital expenditure requirements and funding for other business opportunities, and also a healthy financial buffer for unforeseen market circumstances.
2. With a view to providing stable financial return to shareholders while retaining adequate reserves for market fluctuation and future growth, it is the Company's policy to pay regular dividends twice a year with a target pay out ratio of not less than 50% of the profit for the year attributable to owners of the Company.
3. The payment of dividends is subject to any restrictions under the laws and the Company's articles of association. The target pay out ratio above may be adjusted if circumstances require having considered the factors in paragraph 1.

Scrip Dividend Alternative

4. The Board may continue to offer a scrip dividend alternative with or without discount if it considers appropriate based on the expected costs to the Company, the dilution effect and shareholders' expectation. The scrip dividend scheme has the advantages of enabling shareholders to increase their shares in the Company without incurring brokerage fees, stamp duty and related dealing costs, while at the same time allowing the Company to retain for use, as working capital or as funding for new investments, the cash that would otherwise have been paid to the shareholders had they elected to receive the dividend in cash, in whole or in part.

Unclaimed Dividends

5. Pursuant to Article 156 of the Company's articles of association, all dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company, and after such forfeiture no shareholder or other person shall have any right to or claim in respect of such dividends or bonuses.

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 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. We have received confirmation from all directors and relevant employees that they have complied with the policy throughout the period under review.

Directors' and Officers' Insurance

We have maintained a Directors' and officers' (D&O) Liability Insurance, which gives appropriate cover for any legal action brought against our 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 adequate in light of changing trends in the insurance market and other relevant factors. The Insurance Policy is available for inspection by the directors upon request. No claim has been made since the Insurance Policy came into effect up to the date of this report.

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 are to be avoided. The directors are required to disclose their interests, if any, in any transactions, arrangements or other proposals considered by the Board at Board meetings. They are further required 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 Board members. Directors have a continuing duty to inform the Board of any changes to these conflict situations. No conflicts of interest actually arose in the year under review.

Induction and Continuous Professional Development

We recognise that professional developments for 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. The Board has, from time to time, reviewed and monitored the implementation of this policy to ensure its effectiveness.



New Director's Induction



All newly appointed directors are provided a tailored induction program, depending on the experience and background of the director. A comprehensive Induction Handbook will be given to all of them to ensure their awareness of a director's responsibilities and obligations.

Continuous Professional Development

Attended in-house training on guidance for Boards and Directors provided by specialist external consultant

Received corporate communications such as "Sa Sa quarterly newsletters", press releases and other news and updates related to our business and the regulatory environment

Attended Sa Sa's corporate events (such as Sa Sa Ladies Purse Day)

All Directors have provided their training records to the Company and confirmed their respective records on a semi-annual basis. The chart below summarises the participation of Directors in training and continuous professional development during the year.

Name	Attending trainings/ seminars/ conferences	Reviewing legislative or regulatory updates	Reading materials relevant to the Company or its business/attending corporate events
Dr KWOK Siu Ming Simon	✓	✓	✓
Dr KWOK LAW Kwai Chun Eleanor	✓	✓	✓
Dr LOOK Guy	✓	✓	✓
Ms KWOK Sze Wai Melody	✓	✓	✓
Ms LEE Yun Chun Marie-Christine	✓	✓	✓
Ms KI Man Fung Leonie	✓	✓	✓
Mr TAN Wee Seng	✓	✓	✓
Mr CHAN Hiu Fung Nicholas	✓	✓	✓

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 written resolutions or minutes, collating and distributing meeting materials, and keeping records of substantive matters discussed and decisions resolved at the meetings). She also advises the Board on compliance and corporate governance matters, including updating the Board on any legal and regulatory changes, as well as facilitating the induction and professional development of the directors.

All board members have 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 year 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 160 to 164.

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 2020, the fees paid by the Group to PwC amounted to approximately HK\$4,658,000, comprising audit fees of HK\$3,289,000 and non-audit fees of HK\$1,369,000. The non-audit services consisted of tax advisory services, interim review, turnover certificate, transfer pricing analysis, and other services.

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

Effectiveness

Board Evaluation

Our first board evaluation was conducted in 2016. Recognising that Board's performance and effectiveness is central to corporate governance, a decision was made in the last financial year to conduct another more in-depth evaluation in the year 2019/20. A questionnaire was developed for this purpose and the assessed areas included board composition, sufficiency and effectiveness of the board committees, board process, board effectiveness and professional developments. The questionnaire received a 100% response rate. The findings included the lack of information technology experience and the need for board refreshment which led subsequently to the re-composition of the Board.

Going forward, the Board is committed to reviewing its own performance and effectiveness at regular intervals of around two years.

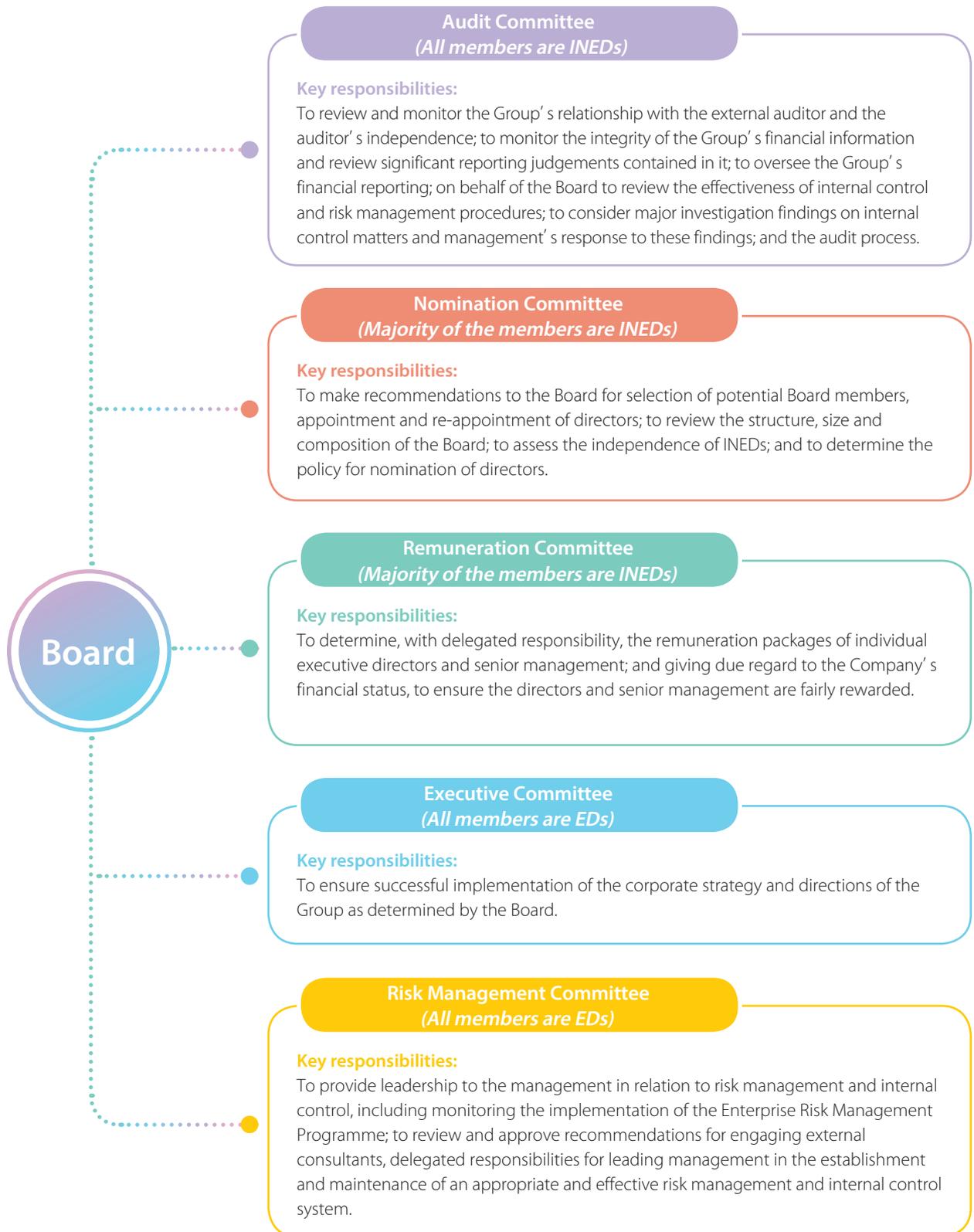
Delegation by the Board

As an integral part of good corporate governance and to enhance the function of the Board, five Board Committees – Audit Committee, Nomination Committee, Remuneration Committee, Executive Committee and Risk Management Committee – 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.

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 71. 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



Audit Committee

Work done by the Audit Committee in the year ended 31 March 2020:

4 meetings (100% attendance rate)

Internal and external audit matters

- ✓ Reviewed the semi-annual summary of audit and non-audit services provided by the external auditor for the year ended 31 March 2019 and the six months ended 30 September 2019.
- ✓ 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 2019 and made recommendations to the Board.
- ✓ Reviewed and considered the proposed payment of final dividends for the year ended 31 March 2019 and made recommendations to the Board.
- ✓ Reviewed and discussed the interim results for the six months ended 30 September 2019, including the interim results announcement and interim report, and made recommendations to the Board.

The Audit Committee held two private sessions/meetings with the external auditor 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 auditor.

Nomination Committee

Work done by the Nomination Committee in the year ended 31 March 2020:



1 meeting (100% attendance rate)

Board composition

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

Re-appointment of directors

- ✓ Considered the re-appointment of Ms TAM Wai Chu Maria (from 24 June 2019 to the conclusion of the AGM on 2 September 2019) and Mr TAN Wee Seng as independent non-executive directors and the re-appointment of Ms LEE Yun Chun Marie-Christine as non-executive director.

Appointment of directors

- ✓ Considered the retirement of Ms Tam Wai Chu Maria as INED.
- ✓ Considered the appointment of Ms Kwok Sze Wai Melody as ED and member of the Executive Committee and the appointment of Mr Chan Hiu Fung Nicholas as INED, member of the Audit Committee and member of the Remuneration Committee.

Change of Board Committee

- ✓ Considered the appointment of Mr Tan Wee Seng as Chairman of the Nomination Committee.



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 met 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.

Remuneration Committee

Work done by the Remuneration Committee in the year ended 31 March 2020:



2 meetings (100% attendance rate)

Market analysis

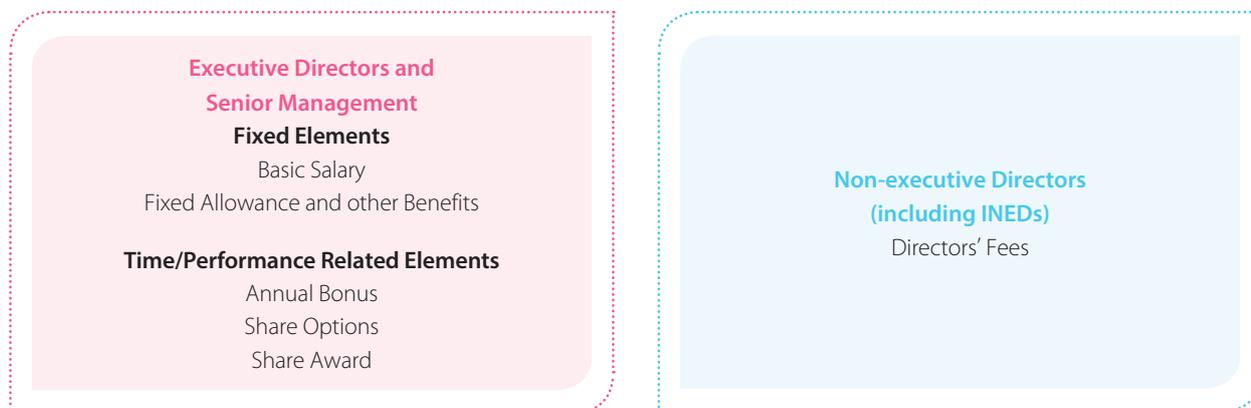
- ✓ Reviewed market surveys and analysis, and the remuneration structure of comparable companies operating in similar business and on a similar scale.

Determination of remuneration

- ✓ Reviewed and determined the remuneration of directors in consultation with the chairman of the Board and in accordance with the remuneration policy of the Group.
- ✓ Reviewed and approved the remuneration package proposal for management.
- ✓ Approved the remuneration packages of the new directors, Ms KWOK Sze Wai Melody and Mr CHAN Hiu Fung Nicholas.



Remuneration of Directors and Senior Management



We have in place a formal and transparent Remuneration Policy for directors and senior management, which is reviewed from time to time. The Committee has also taken into account a number of relevant factors such as remuneration packages offered by companies of comparable business and scale, market rates, 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 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 other executive directors and management may also include share options or share awards, some of which are time based while others are performance based.

Non-executive directors (including INEDs) are compensated with reference to market rate with the aim of fairly remunerating their efforts and time dedicated to Board and Board Committees matters. The remuneration package of NEDs comprises a fixed annual fee of HK\$257,400. The Chairman of the Audit Committee is paid an additional fee of HK\$150,000 per annum while other members of the Audit Committee are paid an additional fee of HK\$80,000 per annum.

In response to the financial impact caused by COVID-19, the executive directors agreed to a 75% reduction in basic salaries while the non-executive and independent non-executive directors agreed to a 25% reduction in fees, all on a temporary basis in the months of February and March 2020. Please refer to note 7 to the consolidated financial statements on pages 193 to 197 for the total emoluments paid to each director and the emoluments of senior management in aggregate and by band for the year ended 31 March 2020.

Executive Committee

Work done by the Executive Committee in the year ended 31 March 2020:



5 meetings (90% attendance rate)

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 to ensure that they 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 2020:
 - Store openings and closures;
 - Sales performance;
 - Marketing and promotions;
 - Product development;
 - Branding management;
 - Inventory management;
 - IT strategy;
 - Human resources, training needs and staff performance;
 - Performance of the logistics function;
 - E-commerce strategies and performance.



The Committee proactively communicates with the NEDs and the management and is open and responsive to any issues raised by the NEDs (including the INEDs). The number of meetings held by the Executive Committee and the attendance of each individual Committee members are set out on page 71. 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 2020:

3 meetings (77.8% attendance rate)

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 2020 including:
 - Continuous assessment of existing and new risks that the Group faced;
 - Reviewed of risk indicators and assessed how risks were measured and managed;
 - Reviewed and assessed the risk trends and appropriateness of risk indicators;
 - Assessed 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 number of meetings held by the Committee during the year and the attendance records of each individual Committee members are set out on page 71. Please refer to pages 87 to 91 of the Enterprise Risk Management Report for further activities undertaken by this Committee.

Time Commitment of Directors

We recognise that it is important that all directors should be able to contribute sufficient time to the Company to discharge their responsibility. 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 year under review.

We understand that our directors may be invited to hold positions in other private, public or professional organisations, or they may have other significant commitments. These engagements will broaden their knowledge and experience and may act to the benefit of the Company. Each director has disclosed to the Company the number and nature of offices held by him/her in public companies or organisations and other significant commitments. Despite those commitments, each director was able to give sufficient time and attention to the Company's affairs and perform his/her duties as directors.

Meeting Process of the Board and Board Committees

The Board and Board Committees meet regularly during the year. The dates and time of meetings are planned usually in the year before to allow sufficient time for the directors to schedule their activities.

The Board meets at least four times a year at approximately quarterly intervals. We held four Board meetings during the year ended 31 March 2020.

The formal notice and agenda of meetings are finalised by the Chairman and are usually sent to all directors at least 14 days before each meeting. All directors are given opportunities to comment on the agenda and to bring up additional matters for consideration at the meetings.

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

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

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, data privacy, and the Trade Description Ordinance 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. There were no incidents of non-compliance during the year.

With respect to the protection of personal data, the Group has a compliance manual, which is a practical guide complete with examples and illustrations, 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 2020, trainings were provided to new joiners and management trainees. The Group's legal team also attended external seminars and workshops on a regular basis to keep informed of developments in this important area. Changes and additions to the privacy policy and additional control measures are implemented on a timely basis. Our privacy policy is in compliance with the European Union's General Data Protection Regulation.

Apart from personal data protection, we have also devised a compliance manual for due compliance of the Trade Descriptions Ordinance. Other than 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 our colleagues with practical guidance to help them fulfill 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.

To ensure that our employees are properly trained in the legal requirements of trade description and trade practices, the legal team provided workshops and regular guidance to the business units from time to time.

To assist our colleagues with the classification of different products (including pharmaceutical products, orally consumed products, proprietary Chinese medicine, health food and supplements, and food), we have a compliance manual on "Medicine, Medical Advertisements and Food" detailing the laws and regulations governing each type of product. Workshops and guidance on the topic are provided to business units on a regular basis.

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. The policy has been updated to provide more examples and illustrations to facilitate understanding and compliance.

Risk Management and Internal Controls

The Board is accountable for overseeing the Group's risk management and internal control systems and reviewing their effectiveness on an ongoing basis. The management and other personnel are responsible for implementing and maintaining a robust system of internal controls that covers governance, compliance and, risk management, as well as financial and operational controls. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, rather than 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; and
- 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 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 the risk management process, which is embedded in the system of internal controls and is 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, through 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 87 to 91 of this Annual Report.

Quality Management System

The Group has been refining and formalising both online and offline operational policies, procedures and working instructions. These are benchmarked against the International Organization for Standardization (ISO) based Quality Management System (QMS) to standardise workflows and documentation. QMS captures organisational knowledge and enhances operational effectiveness, efficiency and control processes for achieving business goals. QMS also enables scalability in accommodating business growth, mitigating operational risks and driving continuous improvement.

For the year ended 31 March 2020, the Group passed the renewal and surveillance audits of 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 9001:2015 Renewal audit	Provision of e-commerce services for cosmetic products	May 2019
Sa Sa Cosmetic Company Limited	Logistics	ISO 9001: 2015 Surveillance audit	Provision of logistic services including warehousing, packaging and local distribution of cosmetic products and their accessory materials	January 2019
Sa Sa Cosmetic Company Limited	Category Management & Product Development, Marketing	ISO 9001: 2015 Surveillance audit	Category management, products purchasing and promotion for cosmetic, health, personal care products and their accessories	August 2019

The Group is fully committed to quality management. Our in-house certified ISO internal auditor will continue to create policies and procedures for other major departments in headquarters and all business units by applying ISO standards in order to promote the application of such standards throughout the organisation. In addition to utilising internal resources, the Group engaged an external consultant to carry out an information security risk assessment and control review project for our Information Technology Department as a way to improve its quality management and to build up the foundations for attaining the ISO 27001 certification level. In addition to annual surveillance audits performed by an 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 the business environment changes. There were no significant non-conformities, weaknesses or deficient areas of concern identified by internal and external ISO auditors during the year. In addition to regular compliance checking, our ISO internal auditors are also charged with the responsibility to work with respective departments to identify areas for process improvement so as to enhance operational efficiency.

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. The head of IAMS Department has direct access to the Chairman of the Audit Committee.

The IAMS Department has unfettered access to review all aspects of the Group’s activities, risk management, control and corporate governance processes. It 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 the sustainability of the business amid the current extreme challenges, the IAMS Department has adopted a lean structure and kick-started an agile audit journey. We have reviewed our internal audit resource model and shifted a portion of our routine fieldwork activities to the respective in-house operating departments. This has the advantage of emphasising the ownership and accountability of the operating departments so that they can more fully utilise their expertise and resources. The IAMS Department is charged with the responsibility for assurance in these areas and will be accountable for the overall planning and control of the annual audit plan as well as assessment of the results and subsequent actions if so required. Benchmarking audit work will also be performed by the IAMS Department to assure their quality. In order to maintain a high level of professionalism and to provide an effective and value added service, the IAMS Department continuously encourages team members to attend relevant external workshops or seminars 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 the external trainings attended by members of the IAMS Department for the year ended 31 March 2020:

Participation in Trainings and Continuous Professional Development of the IAMS Department					
	Business & General Management	Governance, Risk & Control	IT/Information Security	Fraud	Online Self-study
No. of events	1	1	1	2	Continuous

Internal Audit Activities

The IAMS Department adopts a risk-based approach to developing the annual and revised quarterly audit plans that is aligned to the enterprise risk management framework and is strategic and objective centric. Potential auditable activities are developed, prioritised and scoped based on risk assessment, which is a dynamic and continuous practice, covering business activities with material risks across the Group. For individual internal audit assignments, we are shifting to an agile approach to the three key stages of our audits – planning, fieldwork and reporting. This agile approach allows the IAMS Department to place more focus on value and risk by prioritizing the right projects at the right depth. This gives the Department more intensive oversight, and allows

it to enhance its abilities to provide more timely assurance, thereby eradicating low value work and realising efficiencies. 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 agreed action plans and to ensure that corrective measures for 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 allows the Department to apply the agile audit approach and enhances audit efficiency and effectiveness for continuous monitoring of internal control deficiencies and fraud risks.

Information technology has become more strategically important in achieving our objectives and is an increasingly weighted and integral part of our daily operations and activities. We recognise that if technology-related risks are not adequately managed, they might negatively affect the objectives that we are trying to achieve. Therefore, maintaining a stable and secured IT infrastructure and staying in step with new and disruptive technology are critical to the Group's sustainability and growth. For that reason, the Group has been paying more attention to technological development, its implications and risks to our strategies. IT risk management is being steadily integrated in the Group's risk management structure and an external consultant will be engaged whenever necessary to assess risks on specific areas while major risk areas such as cybersecurity are assessed by external consultants annually. More details on the management of cybersecurity risks are set out in the Enterprise Risk Management Report on pages 87 to 91 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 2020, covering all material financial, operational and compliance controls. The Board considers 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, concluding that all staff are of sufficient competence to carry out their roles and responsibilities.

Communication with Shareholders

2020 Annual General Meeting

The AGM provides the Board with an opportunity to meet and engage directly with our Shareholders. The AGM for the financial year ended 31 March 2020 will be held on or around Thursday, 27 August 2020. 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 a circular, which sets out each resolution to be proposed at the AGM, will be dispatched to the Shareholders on or around 20 July 2020.

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 136 to 144 of the "Investor Relations Report" in this Annual Report.

Shareholders are also welcome to make enquiries to the Board. For the procedure and contact details, please refer to pages 136 to 144 of the "Investor Relations Report" in this Annual Report.

Other shareholder-related information

For details of the 2019 annual general meeting, upcoming important dates and year-end public float capitalisation, please refer to pages 136 to 144 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 for the year ended 31 March 2020.

Enterprise Risk Management Report

Effective risk management is essential to the achievement of the Group's strategic objectives. In place since 2010, the ERM System offers a systematic and disciplined approach to provide clear responsibility and accountability structures for risk management. It consists of three major components: risk governance; risk infrastructure and oversight; and assignment of risk ownership.

The Board is responsible for determining the Group's risk profile and risk appetite, with the latter defining the acceptable tolerance levels for key risks. The Board oversees the Group's risk management framework, reviews the Group's key existing and potential risks and their respective mitigation strategies, and ensures risk management effectiveness. The RMC holds regular meetings to review the management of these risks and the effectiveness of mitigation strategies and controls, while also actively identifying any positive business opportunities that arise in relation to these risks.

Risk Management Committee

The Group formed the RMC in 2009, comprising three Executive Directors, as part of the Group's commitment to further enhancing our control environment. The RMC has written terms of reference that set out the responsibilities of the members, which are available on the Company's website. For the year ended 31 March 2020, the Committee held three meetings at Group level to assess and re-assess the major risks and the results of mitigation actions. The RMC assists the Board in providing leadership to the management in relation to risk management and internal control. The Committee has overall responsibility for the establishment and maintenance of appropriate and effective risk management and internal control systems including the design, implementation and monitoring of such systems for the Group.

Enterprise Risk Assessment

Risk assessment is the identification and analysis of existing and emerging risks in order to form a basis for determining how risks are managed in terms of likelihood and impact. Risk areas are categorised into strategic, operational, financial and compliance perspectives for further assessment and management. A bottom-up and top-down approach is adopted to ensure a holistic risk management process. The bottom-up approach is supported by cross-functional workshops for line management to identify and prioritise risks. The top-down approach reviews risks and assesses if they are comprehensively identified, prioritised, and properly addressed by line management to accomplish the Group's objectives. At the Group level, a Group risk register has been maintained since the inception of the ERM System. This register has been regularly monitored and updated by taking emerging risks into account for continuous risk assessment purposes and for building the risk-based internal audit plan.

The Group has in place Risk Management and Internal Control Self-Assessment and Fraud Risk Control Self-Assessment programmes, requiring all business units and major departments in the headquarters to annually assess the adequacy and effectiveness of risk management and internal controls for ongoing risk assurance purposes. This process enhances the Group's risk and control framework effectiveness.

Enterprise Risk Management Process

The ERM System uses risk indicators and red flags to monitor the major risks. The setting of risk indicators aligns with the risk tolerance regime, representing the magnitude of risk the Group is willing to undertake in order to achieve our business goals. Additionally, a balance scorecard system, which also incorporates a red flag mechanism, has been implemented, incorporating key performance indicators for core business units to measure their progress towards achieving business goals. The balance scorecard system and the ERM System are aligned, allowing the Group to monitor a comprehensive set of indicators at the same time for better business performance and risk management.

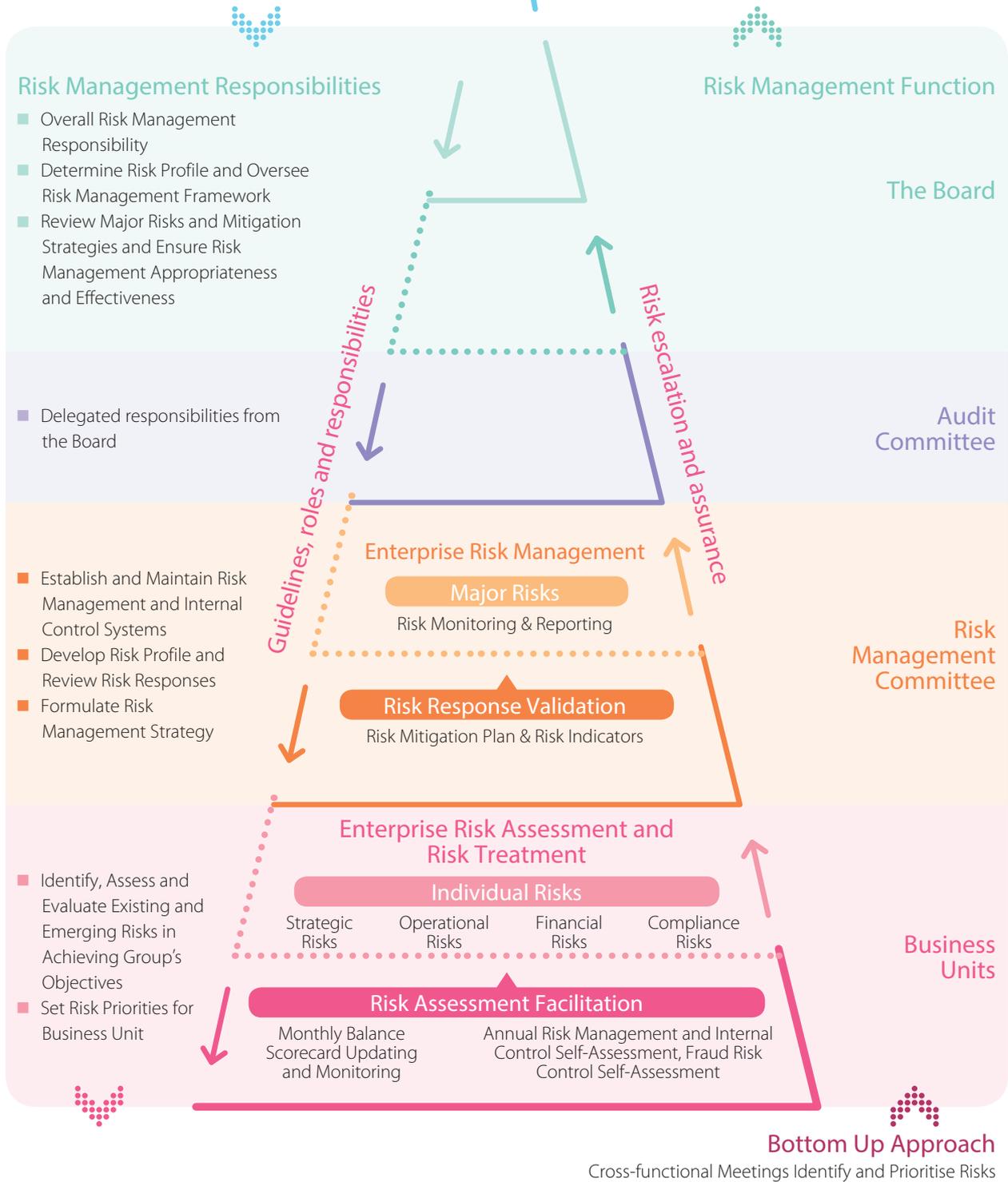
Members of the RMC meet as often as necessary to review and discuss the risk management progress of each of the major risks and to provide a continuous update on the business environment and to monitor any changes. During this process, the balance scorecard key performance indicators are updated and monitored regularly so that underperformed areas can be brought to management's attention. Risk owners are required to take mitigating actions to address these risks. Such actions are integrated into the Group's day-to-day activities and their effectiveness is closely monitored by the red flag mechanism. This mechanism is used as a basis for reporting and discussion in the monthly management meetings as well as in RMC meetings. If any risk indicators are highlighted by red flags, the responsible risk owners are required to re-assess the existing remedial action plans and promptly propose new plans if necessary. The IAMS Department carries out continuous assessment on the progress of risk management procedures while it also assesses the risk responses submitted by risk owners. The Department facilitates the RMC in reporting significant risks, material changes and the associated mitigating actions. The Department highlights these to the Audit Committee on a quarterly basis. An illustrative diagram describing the ERM Framework is set out on page 88.

Risk Governance & Infrastructure

The ERM Framework

Top Down Approach

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



Management of Major Risks

Since the Group operates in a highly dynamic and competitive landscape where tourist spending makes up a substantial part of the business, continuous and effective risk management is vital for survival in periods affected by recent social events and the current COVID-19 pandemic. The latter has become a global health and economic crisis affecting not just tourism, but also daily lives and jobs. Some major risks currently being managed are:

Market Concentration Risk

Our product offering has traditionally been focused mostly on skincare, makeup and fragrances. These are most sought-after products by Mainland China tourists and they consistently account for over 70% of our revenue in the past. For many years, the Hong Kong and Macau SARs markets accounting for over 80% of our Group revenue while physical stores sales for the Group have contributed 95% of our revenue. However, tourist arrivals have taken a serious hit due to social issues last year and recently the COVID-19 pandemic. The Group must therefore roll out bold measures to address this market concentration risk.

The Group has adopted a diversification strategy in three critical areas. Firstly, market and customer segment diversification. In addition to Hong Kong and Macau SARs markets, we aim to further penetrate markets in Mainland China and Malaysia where we already have a presence. We recognize that we have traditionally been highly focused on Mainland tourists in our core markets of Hong Kong and Macau SARs as well as Chinese in the Malaysia market. We are now working harder to serve local people in Hong Kong and Macau SARs and have started to target local Malays in the Malaysia market (for details, please read the Product Competitiveness section and Mainland China and Malaysia Business Prospect section). Secondly, we recognize the need for more channel diversification. Digital media and its integration with physical stores is increasingly important to enhance the customer experience and our overall competitiveness, growth and customer retention (for details, please read the Online Threats and Opportunities section). Thirdly, product category diversification is the key to addressing a narrow product offering that has resulted in large fluctuations in our sales performance (for details, please read the Product Competitiveness section).

Staff Health and Safety Risk

We recognise that human capital is one of the most important assets we have and being a caring and socially responsible company, staff health, safety and livelihoods are always our primary concern. Since we are committed to providing a safe workplace for our employees, especially amid the COVID-19 crisis, the Group has developed and implemented measures including

- Developing and communicating safety guidelines;
- Providing updates on official guidelines and notices;
- Providing free protective face masks and other equipment or facilities to all staff;
- Offering alternative work arrangements for warehouse staff;
- Subsidizing staff daily necessities;
- Frequent cleaning of supplies and facilities;
- Upgrading the Group's medical benefits; and
- Working from home arrangements for pregnant employees, etc.

We are reviewing the above measures regularly and monitoring notices issued by official sources while providing regular updates to our employees. We deeply believe that by always treating staff health and safety as a top priority, we can keep our employees engaged and productive, retain key talents and ensure sustainability of our business.

Liquidity Risk

Working capital management is crucial to the sustainability of a company. We have maintained a healthy and strong balance sheet from conception leading up to the COVID-19 pandemic. However, the crisis has led to a plunge in revenue in all of our markets, significant losses and a drain on the Group's cash reserves. We have made great efforts to exercise strenuous inventory management and rigorously optimize our cost structure, in addition to exploring new revenue drivers.

Inventory Management

Inventory management and control plays a significant role in a company's liquidity since bloated inventories will tie up unnecessary funds. We managed to reduce our inventory year-on-year by implementing aggressive clearance activities and placing stringent controls on PO placement, allocating funds to strategically focused products only.

Cost Structure

This determines our profitability and ultimately our cashflow. We have focused our efforts on staff costs and rental costs reduction as they represent the largest and second largest portion of the Group's expenses. Successful execution of the plan allows us to gain significant improvements in our liquidity. For staff costs, we have enforced the clearance of annual leave, implemented no pay leave arrangements and temporary salary reduction schemes, optimized frontline commission schemes and restructured the organization to optimize our manpower. For rental costs, we have been negotiating with landlords for rental relief during this difficult period and we have aimed to negotiate for turnover rent, instead of the existing fixed rent charging model, in upcoming new leases. In addition, we have closed unprofitable shops with more aggressive closures planned for FY2020/21.

Online Threats and Opportunities

The COVID-19 pandemic across the globe has accelerated and enforced new socially driven online shopping behavior. As a result, e-commerce related businesses are taking off while offline sales have plunged in all markets. By further developing our online touch points and increasing the coordination of our online and offline offerings and fulfillment, we can interact and serve our customers wherever they are through this channel diversification strategy. We are actively growing our customer database and investing in our front and backend to enhance our capabilities, customer acquisition and retention touchpoints.

Speedy implementation of new and efficient technologies is a critical success factor. The test launch of our WeChat mini-programme in October 2019 has enabled our Hong Kong offline beauty consultants to effectively interact and maintain close relationships with their existing Mainland customers 24 hours a day. Turnover has grown rapidly since the launch with the support of a dedicated team.

In order to serve local customers in Hong Kong SAR suffering under the pandemic since February, we have proactively partnered with a service provider to support us with an online queuing system for sale of surgical masks. This has greatly reduced customers' wait time and enhanced their shopping experience and will ultimately lead to better productivity and new member recruitment.

To maintain a more optimized cost structure for our e-commerce business after the strategic termination of our own website and mobile app in Mainland China, we have substantially cut manpower and infrastructure costs. Our resources will now be focused more on growing third-party platforms since their sales contribution has been steadily increasing.

Product Competitiveness

The Group is well known for providing a large variety of trendy products with a wide price range that appeal to broad market segments. In a fast changing and increasingly competitive market, our continued success hinges on our ability to strengthen our house brands while sourcing and developing products that meet the fast-changing demand. The impact of the COVID-19 outbreak has caused significant changes in consumers' purchase behaviour as well as in their product needs. Consumer demand has immediately shifted towards protective gear to combat COVID-19 as well as sanitizers, health and wellness products. Such is the demand that these products have become scarce. We have responded by securing consistent supplies as well as offering multiple online products. In addition, we are planning to offer more choices in categories of products that may see faster growth when demand recovers. Product category diversification will also address the limitations of a relatively narrow product offering that would see large fluctuations in sales performance. By adopting a more diversified product offering, we can improve the loyalty of existing customers, and attract new customers and customer segments.

Mainland China and Malaysia Business Prospects

The Mainland China and Malaysia market have much more potential than we have exploited so far. Success in further penetration of these markets and their potential profit contribution will go some way towards alleviating our market concentration risks.

The Group's progressive and disciplined improvement efforts in the Mainland China market in the past few years have resulted in notable and persistent reduction in logistics costs and delivery time. By further enhancing the product portfolio, operational management and promotions, we have been able to grow foot traffic and increase our house brands mix and same store sales. To ride on this momentum, the General Manager Office has built a company-wide strategic development plan to lead further restructuring and drive sustainable business growth. New headcounts in key areas will be recruited. We have also introduced more online elements, such as the WeChat mini-programme, which are supported by an aggressive promotion campaign to engage customers through digital media and to drive online sales through their social circles.

The Malaysia market has always been a profit contributor to the group but our past success in the market has been mainly focused on the Chinese population. Going forward, our strategy is to keep exploring and growing the local Malay segment and we have strategically recruited and trained more Malay beauty consultants to provide service to this target segment. Our online home delivery service that we launched in March allows us to serve both Malay and Chinese customer segments during the period of the Movement Control Order imposed because of the COVID-19 pandemic. The Group expects that such robust enhancement measures will reshape our company to be more agile, drive our stores, both physical and virtual, to operate more efficiently and to become more attractive to all customer segments. This will improve overall sales and profitability through diversification of markets and customer segments and mitigate liquidity pressure to the Group.

Cybersecurity and Personal Data Privacy Risks

The Group operates in a business environment that needs to collect, process and manage a vast amount of customer personal data from various legal jurisdictions that have been imposing ever more stringent regulations and penalties. In addition, we aim to establish a centralized customer database for all our online and offline customers. We are therefore exposed to personal data privacy risks that may result in losses to our customers, potential fines, as well as damage to our reputation and business. Cybersecurity and personal data privacy risks are thus rated a major risk to manage. The Group's efforts have been focused on policy setting, data handling process review, board level and general staff training, IT infrastructure upgrades and cybersecurity testing by an external certified professional on at least an annual basis. We have allocated substantial IT resources to enhance our cybersecurity regime over the last financial year and we will further invest to upgrade our IT services and controls while catering to "work from home" practices.

Ethical Business Practices

We are committed to enforcing ethical business practices by setting the right tone at the top. However, we recognise that unethical incidents may still happen even when we have a robust internal control system in place, especially when incentives or pressures to commit fraud increase significantly during the economic downturn. In order to enable us to evaluate and manage fraud risks through a more systematic and proactive approach, fraud risk assessment is incorporated as an integral part of our risk management structure for continuous management and mitigation. All business units and major departments in headquarters are required to formally assess and report annually their fraud risk exposure via the Fraud Risk Control Self-Assessment. To proactively protect against fraud, we have introduced a set of fraud monitoring indicators for regions or business units with high fraud vulnerability. All fraud cases, either reported through the whistleblowing channel or identified by the analytics, will be conducted independently by the IAMS Department or jointly, as appropriate, with other departments in the Group or with external investigators. Prompt and consistent disciplinary actions will be taken according to company policy and the results, together with corrective actions to close the gaps and reduce the opportunity for fraudulent acts, will be reported to the Executive Directors and Audit Committee. Proper communication and training will be delivered thereafter to reduce the capacity for fraud rationalization. We believe that by so doing, we can safeguard our assets, contribute positively to our reputation and image, and thus reduce the direct and indirect costs of doing business.

Third-Party Risks

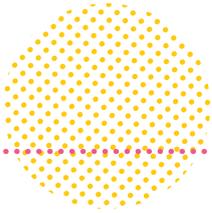
The Group has been relying on third-party service providers, such as outsourced manufacturers, software vendors, manpower service providers, contractors, warehousing and logistics service providers in some key aspects of our business. Our aim is to improve performance by leveraging their specialised expertise, well-developed service network, operational efficiency and better scalability. Nevertheless, we are potentially exposed to risks that may include but are not limited to business disruptions, investigations by authorities leading to financial losses, and reputational damage as a result of under-performance, non-compliance with local rules and regulations or unexpected withdrawal from the market of key service providers. In order to counter these risks and make our business more secure, the Group has established comprehensive key performance indicators to continuously evaluate and monitor service levels. These measures may involve external professionals, executives and other functional teams for key projects as necessary, with clear terms and conditions laid out in service agreements. Although we tend to maintain long-term relationships with third-party service providers, we may terminate the services of under-performing vendors. In addition, from time to time we compare their service level to that of the market, which allows us to bring in new vendors with better service quality and to update our backup vendor list while managing our costs.

Beautiful Ambition

SASA 2025

Making Life Beautiful





Joint Statement

The last 12 months have been a period of unprecedented change and disruption for Sa Sa. Winning the Hong Kong Awards for Environmental Excellence Gold Award in the Shops and Retailers Sector, an award scheme led by the Environmental Campaign Committee alongside the Environmental Protection Department and in conjunction with nine organisations, is especially encouraging during this tough time.

Just when everyone including Sa Sa has been struggling to cope with the socio-economic impact brought about by COVID-19, a silver lining to this global crisis is the profound positive impact on the environment due to the drastic reduction of transportation and industrial activities in many parts of the world.

Let's not forget, therefore, that the economy, human health and wellbeing, and the environment are all inter-related and inter-dependent, and the world we live in can only be sustainable if we treat it well.

In the year 2019/20, Sa Sa established a five-year sustainability framework "Beauty Ambition: SASA 2025", which we hope will guide our sustainable development in our mission to "making life beautiful" in the years to come.

★ Ms KWOK Sze Wai Melody

◆ Chairlady of Sustainability Steering Committee



★ Dr KWOK Siu Ming Simon, SBS, JP

◆ Chairman of the Board



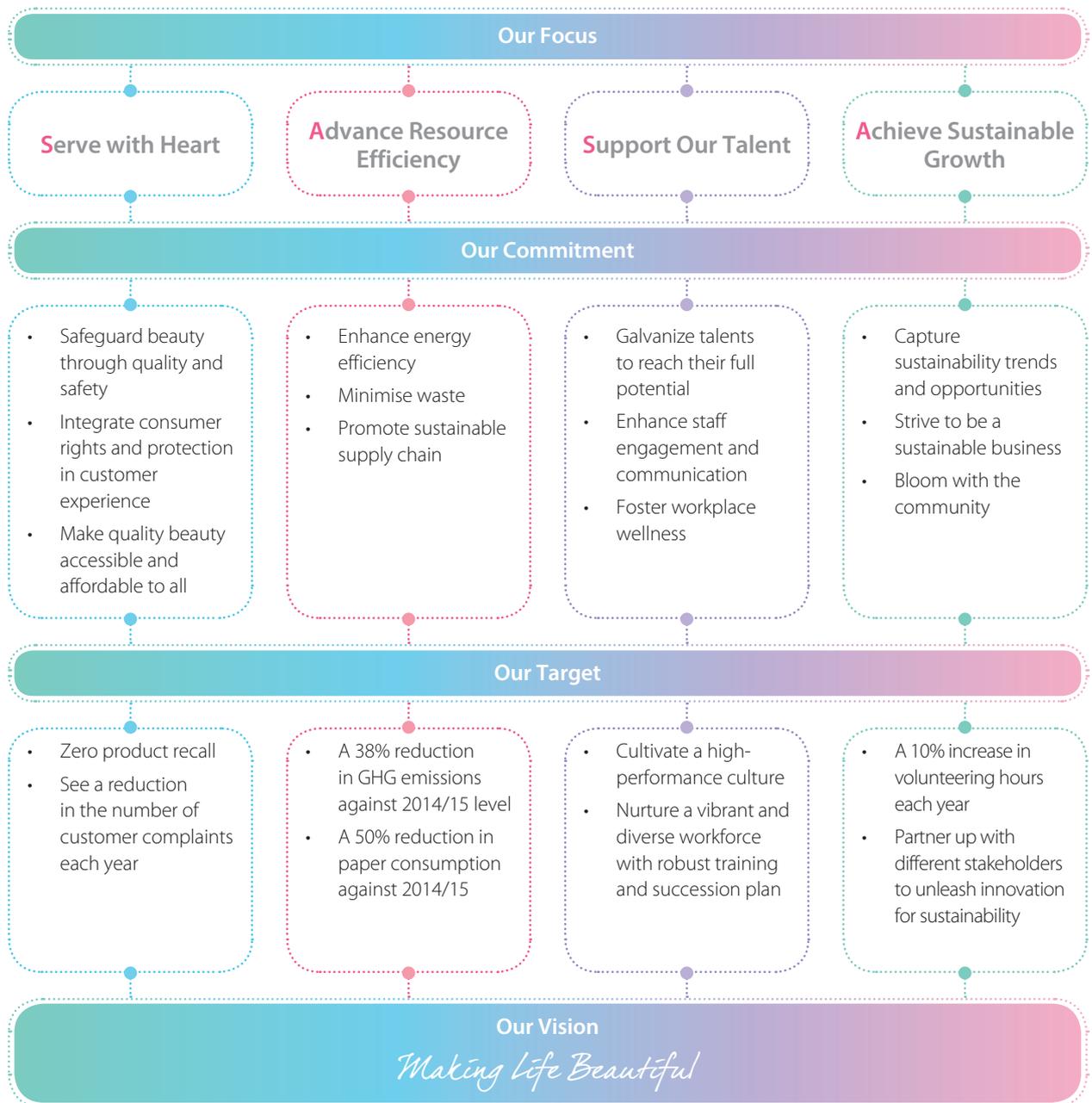
Our Approach to Sustainability

Our Approach to Sustainability

Introduction to Our Sustainability Framework

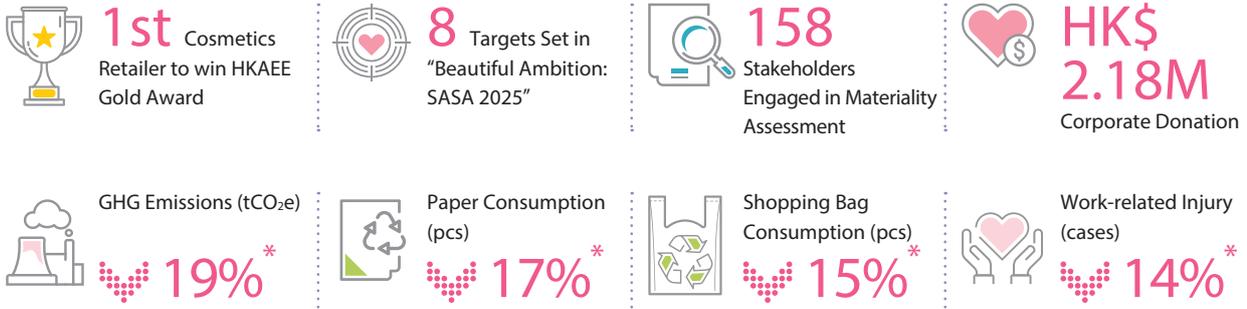
"Beautiful Ambition: SASA 2025" represents our ambition to deliver Sa Sa's purpose on sustainable development – making life beautiful for our customers, our talents, our environment and community, in the next five years. Building on our heritage as a caring company, it connects to our strategic priorities and guides us to be a responsible and sustainable business.

Beautiful Ambition: SASA 2025



Our Performance Highlights

Aside from the establishment of our sustainability framework, we have made the below achievements in 2019/20:



Our Sustainability Governance Structure

We believe a robust governance structure – committed leadership, clear direction and strategic influence – is vital to successful integration and effective management of sustainability at Sa Sa.

Our governance structure centres on the Sustainability Steering Committee (the SSC) which is directly accountable to the board of directors. Chaired by one of our executive directors, Ms Kwok Sze Wai Melody, and with different department heads as members, the SSC meets quarterly to deliberate on the focus areas of our strategic sustainability development, its direction and goals. The driving principle behind is to develop specific policy recommendations, enhance efficiency, minimise costs and engage staff in sustainability.

For each of us to pull the weight to integrate sustainability into our daily business operations, our sustainability governance structure also aims to create accountability for sustainability at every level.



* Against 2018/19 level.

Sustainability Benchmark and Commitment

Sa Sa is committed to transparency in our sustainability performance. Being open about it motivates us to go the extra mile to be a sustainable business. In addition to keeping up with the latest market trends, we continue to participate in different sustainability benchmarks to upgrade ourselves by recognizing our strengths and weaknesses.

- Constituent of the Hang Seng Corporate Sustainability Benchmark Index for the ninth consecutive years with a rating of A+
- MSCI’s ESG Rating improved from “BBB” to “A”
- Awarded with “Caring Company for 15 years plus” status by the Hong Kong Council of Social Service



Stakeholder Engagement

As a leading cosmetic retailer, our company performance depends on direct and frequent engagement with our customers, employees, investors, suppliers and contractors, as well as local communities, NGO partners, the governmental departments, academia, media and industry peers and associates. Their perspectives and feedback not only help us to better understand our stakeholders needs and expectations, but also improve the relevance and effectiveness of our current and future sustainability strategies.

Our Stakeholders	Communication Channels
Employees	Daily communications, performance appraisal and talent development programme
Investors, Shareholders and ESG Research Analysts	Sustainability reporting, benchmarks and indices, interviews and annual general meeting
Customers	Social media, Sa Sa websites, Mystery Shoppers Programme
Suppliers and Contractor	Regular project meetings and performance evaluation
Communities	Donations, community programs and events
NGOs, Academia and Industry Associations	Collaboration and conferences
Governmental Departments and Regulators	Ongoing dialogues and information disclosure
Media	Interviews and press release



The Material Issues of Sa Sa

Living in an ever-changing world, understanding and responding to the views and expectations of our stakeholders play a critical role in the success of our business. Thus, we conduct a materiality assessment regularly to assess the evolving sustainability landscape and to verify, rank and report the sustainability topics that matter most to our business and stakeholders.

Identification

This year, we identified 47 industry specific topics for prioritization based on our materiality assessment conducted in 2016/17, industry research, benchmarking analysis of competitors and peers and stakeholder input.

Prioritisation

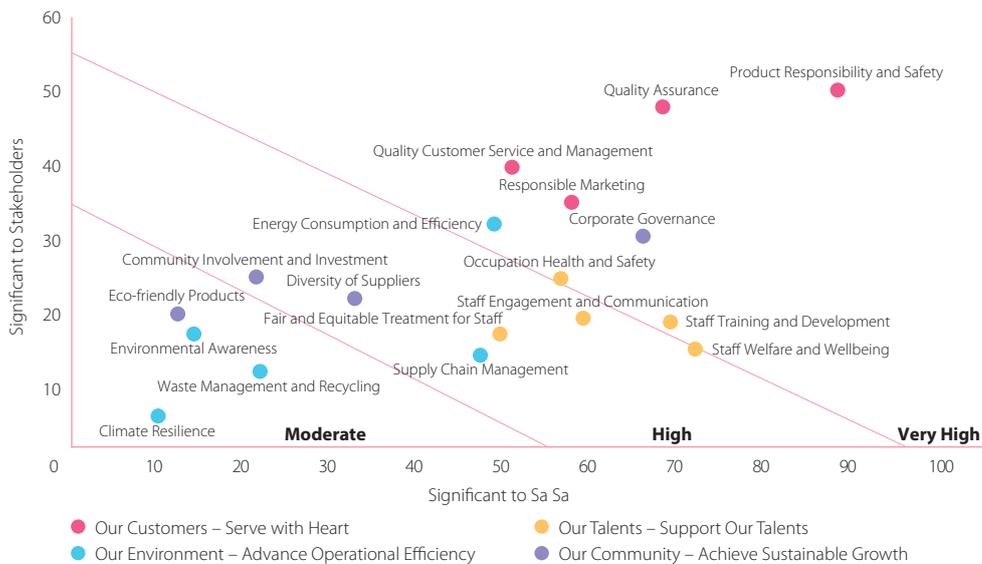
We prioritized the 24 industry-specific topics based on feedbacks from 158 internal and external stakeholders through interviews, surveys and other forms of engagement.

Validation

The list was narrowed to 18 topics specific to our business after validation of the results with the Sustainability Steering Committee members and the Board of Directors. The names of some topics were modified to bring greater clarity.

Most importantly, the 2019/20 materiality assessment led to the development of our Beautiful Ambition: SASA 2025 framework and its focus areas: "Serve with Heart", "Advance Resource Efficiency", "Support Our Talents" and "Achieve Sustainable Growth".

Overall, the results were consistent with previous years. We list and report the 18 moderate, high and very high priority topics identified in the matrix below.



Our Customers

SERVE WITH HEART



When customers choose to shop at Sa Sa, they have cast their vote of confidence in the quality of our products. To reciprocate this trust, we serve wholeheartedly to satisfy their needs and expectations by offering a diverse range of high-quality products, providing attentive shopping experiences, and supporting our customers to pursue beauty.

Key Challenges

1. Evolving Retail Landscape

- Disruption of E-commerce and digitalization brings opportunities but also competitions
- Customers are getting more vocal on social media

2. Customer Demands and Expectations

- Apart from product range and price, customers have high expectations on the entire end-to-end experiences
- Product safety is of paramount importance to customers as they become more sophisticated on the ingredients and composition of cosmetic products

3. Customer Wellness

- Rising consciousness of healthy and sustainable lifestyle may influence purchase decisions

Beautiful Ambition: SASA 2025

Our Commitment

- Safeguard beauty through quality and safety
- Integrate consumer rights and protection in customer experience
- Make quality beauty accessible and affordable to all

Our Target

- Zero product recall
- See a reduction in the number of customer complaints each year

Our Key Development This Year

- Continued to be recognized for our service excellence
- Cooperated with HKTVmall to grow local market
- Launched WeChat mini-programme to share beauty trend and boost sales

Safeguard Beauty through Quality and Safety

Responding to the needs of customers of all ages and background, Sa Sa houses around 18,000 SKUs. Quality and safety is our top priority. Our teams in category management and product development, quality control, frontline sales and customer service go the extra mile to ensure the quality and safety of each and every product we carry. As in the past year, there are no incidents of product recall or non-compliance due to safety or health issues this year.



The Hong Kong Q-Mark Council presented us with the “Q-Mark Elite Brand 2019 (Cosmetic Category)” to recognise our continuous efforts in upholding the “serve with heart” commitment and the delivery of the best products and shopping experiences for customers.

Many of our key supply chain processes, including logistics, category management and product development, as well as marketing and customer service, are certified by independent third parties, meeting requirements such as ISO quality control standards (ISO 9001:2015).

Here are some of the measures we have adopted to ensure product quality and safety:

- ✓ Most of our products are manufactured in jurisdictions which have in place stringent regulations governing cosmetic and personal care products such as the European Union, the United States, Japan and South Korea.
- ✓ We commit to having products with at least six months of shelf life for sale in our stores (except food and pharmaceutical products, which have shorter shelf life due to their nature).
- ✓ Through various methods including vendors’ evaluation, contractual measures, quality control undertaken at the warehouse and monthly checking conducted at the shops, we guarantee that only authentic and quality products with a reasonable shelf life are offered to customers.
- ✓ We provide our suppliers with updated lists of ingredients that are prohibited or restricted in major jurisdictions.
- ✓ When it comes to product safety and authenticity, we prefer to err on the side of caution. Products with potential issues will first be removed from the shelves, and return to the shelves only when those issues are resolved after thorough investigation. Sa Sa’s senior management will manage and participate in the investigation of all products with potential safety or other issues.

Apart from strict safety and quality monitoring of our products, we encourage our suppliers to continuously improve their performance in respecting the environment and serving the wider society. We also require warranties on the protection of intellectual property and third-party rights* in most of our contracts with suppliers and service providers.



* We have strict policies to prohibit downloading movies, music and pirated software.

Integrate Consumer Rights and Protection in Customers Experiences

We endeavour to provide high-quality and worry-free services to our customers, through these measures:

- ✓ 30-Day Purchase Guarantee to ensure a satisfying purchase experience for customers across all our sales platforms.
- ✓ Mystery shoppers programme across all stores to objectively assess the quality of service, providing us with not only service assurance but also room for improvement of our customer service.
- ✓ Customer experience training for frontline staff, providing on-site guidance and up-to-date product and other information to improve customer service.
- ✓ Customer complaints and investigation process* is immediately on whenever we receive complaints regarding the quality of products or services or incidents reports so that we can respond to the customers in a timely manner.
- ✓ Privacy of personal data is safeguarded by strictly complying with the Personal Data (Privacy) Ordinance. We commit to using the customer information we collect only for the purpose intended and notified.

Mystery Shopping Programme Score

90%

8.3% against 2018/19

Make Quality Beauty Accessible and Affordable to All

In response to the changing retail landscape, Sa Sa has adopted the “New Retail” model as the core of our strategic development in the medium to long term. Aside from combining consumers, goods, mode of delivery and supply chain, we use our online presence to provide multiple customer touchpoints. We also have partnered up with various renowned e-commerce platforms, including HKTVmall, Shopee, Tmall Global, JD Group, Xiaohongshu, Kaola and WeChat mini-programme to further enhance our interactions with customers and product sales to make shopping convenient for our customers.

Sa Sa’s WeChat Mini-Programme garnered “WeChat Power – Annual Smart Service Award”. Sa Sa interacts with customers through WeChat mini-programme to share information about beauty trends and reinforce customer’s loyalty, while tapping into the vast traffic of WeChat to boost sales.



* During this financial year, we received a total of 96 complaints and 255 compliments.

Move towards Sustainable Beauty

Green beauty has exploded in popularity over the last few years. The eco-beauty trend scene in Asia has also started to pick up the pace. In addition to carrying microbead-free cleansing and exfoliating products, we offer our customers a wide selection of green beauty products that may include one or more of these descriptions: non-animal testing, eco-cert, paraben-free, GMO-free and so on.

Together, We Fight the Virus

At Sa Sa, we take the safety and wellbeing of our customers, community and staff members very seriously. Given the high demand for anti-epidemic products recently, our sourcing team has been actively replenishing our stocks via multiple sources around the globe while our logistics team has been industriously packing and delivering goods to stores and customers.



Did You Know.....

To ensure our customers have the face masks on hands as quickly as possible, as soon as the shipment of face masks arrives in Hong Kong, our logistics team immediately goes the extra mile to conduct quality control and then send them to stores within the same day.

Our Category Management and Product Development Team also sets strict quality requirements to ensure no defective products are sold to customers.



Practice Safe Retail

Safety and wellness of our frontline staff and customers matters the most to Sa Sa. To protect them from coronavirus, we have carried out a series of sanitisation measures at our stores:

<p>Regular sanitisation of shop displays</p>	<p>Require customers to wear disposal face masks</p>	<p>Hand sanitiser dispenser available at shop entrance</p>
● ● ●		
<p>Measure body temperature for customers</p>	<p>Hand sanitiser before product trials</p>	<p>Sanitise hands again after checkout</p>

Cater to Different Customers' Needs

As our customers are getting more vocal on social media, we listen and respond quickly too. Since the early days of the COVID-19 pandemic, we have been working hard to fulfil the increased demand of anti-epidemic products. To ensure our customers have what they need to stay safe, we have also taken these measures:

- Coordinate with stores, logistics center and suppliers so that the anti-epidemic products are fast-tracked through the supply chain and prioritised for re-stocking.
- Place purchase limits on in-demand anti-epidemic products to ensure fairness.
- Support safe retailing by selling disposable face masks on different platforms: stores, sasa.com, GULU, and Alipay e-shop.
- Hold in-store flash sales for the less tech-savvy.

- Fulfill everyone's need by providing different types and price range of protective face masks.
- Support local brands while sourcing face masks from Japan, South Korea, Vietnam, Europe and the USA.
- Offer our best-value prevention care packs for the VIPs and affected districts with immediate risk.

Types of Disposable Face Masks Available:



72

Types of Clean Wipes Available:



55

Types of Hand Sanitisers Available:



71

All Types of Anti-epidemic Products Available:



265

Our Key Achievements in 2019/20

Hong Kong Retail Management Association (HKRMA) "Service and Courtesy Awards" 2019

- Top 10 Outstanding Service Retail Brands Award
- Excellent Service Star – 3 award winners
- Gold Award – Supervisory Level
- Gold Award – Junior Frontline Level
- Silver Award – Junior Frontline Level

Mystery Shopper Programme

- Excellence Award – La Colline Shop
- Service Retailers of the Year (Beauty Products/ Cosmetics Category Award) – La Colline Shop

Headline No.1 Awards 2019

- No. 1 All-round Beauty Chain Cosmetics Shop

WeChat

- WeChatPower – Annual Smart Service Award

Hong Kong Q-Mark Council

- Q-Mark Elite Brand 2019 (Cosmetic Category)

Sa Sa's Next Step

To empower our customers in pursuing beauty, we will continue to:

- Proactively listen and respond with our heart to rising consumer expectations on being socially and environmentally responsible, from data protection to product safety and responsible marketing.
- Stay transparent and authentic in our approach to activate the power of beauty sustainably and responsibly together with our customers.

Our Environment

ADVANCE RESOURCE EFFICIENCY



Making life beautiful, Sa Sa aspires to protect the environment by integrating environmental considerations into our decision-making process. We implement appropriate measures to advance energy efficiency to minimise the impacts on the environment brought about by our daily operations.

Key Challenges

1. Climate Change

- The world calls for collective action to limit global temperature increase to below 2°C
- Extreme weather events can affect our sales, products supply and the reliability of our supply chain
- The need for transition to a low carbon economy is growing

2. Waste

- Hong Kong is facing a gigantic waste crisis with record-high disposal rate but record-low recycling rate ever

3. Supply Chain

- As supply chain is complex in nature, there is a greater call for collective action and transparency

Beautiful Ambition: SASA 2025

Our Commitment

- Enhance energy efficiency
- Minimise waste
- Promote sustainable supply chain

Our Target

- A 38% reduction in GHG emissions against 2014/15 level
- A 50% reduction in paper consumption against 2014/15 level

Our Key Development This Year

- Established and disclosed our reduction targets on greenhouse emissions and waste
- Designated November as Sa Sa Green Month to hold green events and promote eco-consciousness
- Installed smart meter to monitor electricity use in real-time
- Participated in CLP's Peak Demand Management Programme

Enhance Energy Efficiency to Reduce Our Carbon Footprint

Tackling climate change has already been listed as a priority in Sa Sa's Environmental Policy. As a responsible corporate citizen, we aim to reduce GHG emissions by 38% below 2014/15 baseline level by 2025 contributing to the transition to a low-carbon economy.

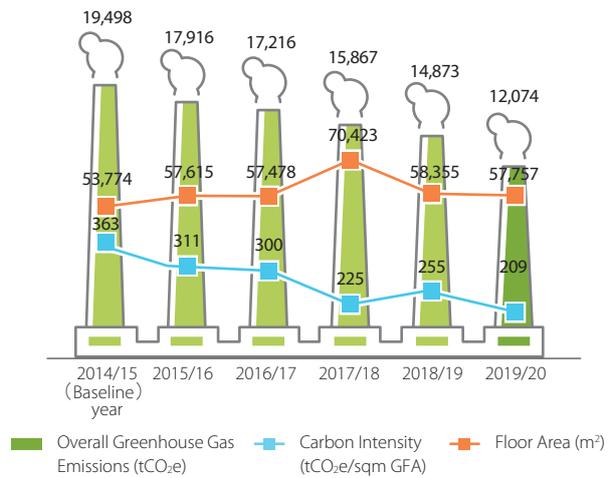
In 2019/20, Sa Sa operated a total of 112 stores in Hong Kong and Macau. Our operations generated 12,074 tonnes of carbon dioxide equivalent (CO₂e). Our GHG emissions were down a significant 19% year-on-year due largely to temporary store closures, reduced operating hours or the permanent closing of some of our retail stores in the midst of social unrest and COVID-19 from June 2019 onwards. Compared to the emissions generated in our baseline year 2014/15, there has been a 38% reduction but we expect GHG emissions to rise again post COVID-19. Inspired by this exceptional year 2019/20, we have set an ambitious target that by 2025, in the post COVID-19 era, we will still be able to maintain this 38% cut.

Energy consumption through electricity (Scope 2 emissions) is the source of more than 96% of our total carbon emissions. Among Sa Sa's main operation facilities, retail stores are responsible for most of the energy consumed, accounting for 79% of the total, followed by logistics facilities (14%) and offices (7%). In 2019/20, our overall electricity consumption dropped by 19% compared to the previous financial year.



Environmental Policy

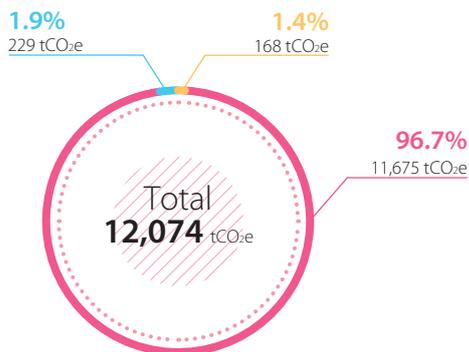
GHG Emissions and Intensity



Our GHG Emissions Target:

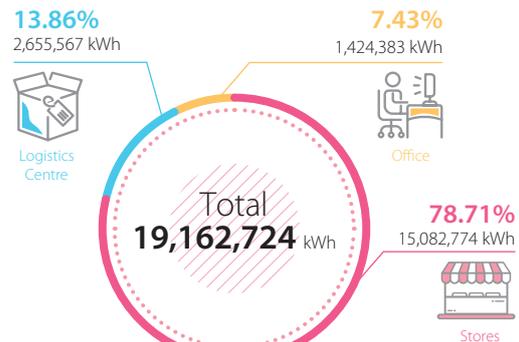
38%
against 2014/15*

GHG Emissions by Scope 1,2,3



- Scope 1: Direct GHG emissions**
Company-owned transport fleet and employee-owned vehicles used for business purposes
- Scope 2: Electricity indirect GHG emissions**
Electricity consumed in our stores, headquarters and logistics facilities
- Scope 3: Other indirect GHG emissions**
Paper disposal in landfill, business air travel, fresh water supply and sewage treatment, and transport fleet owned by external logistics operators

Energy Consumption by Facility Type



2019/20 Energy Consumption

19%
vs. 2018/19

2019/20 Energy Intensity

332 kWh/m²

* 2014/15 is our baseline year for comparison

Our Environment

Conserve Water

Sa Sa's operations are not water intensive and represent just 0.1% of our carbon footprint, but we still actively monitor our water consumption. We have placed signs next to the water faucets to remind our staff to conserve water. Affected by coronavirus this year, we became more conscious about hygiene and thus consumed nearly 21% of water more than last year.



Did You Know.....

- Sa Sa is among the early adopters and signatories of the Environment Bureau's Charter on External Lighting. Signatories to the Charter are required to switch off unnecessary external lighting at a preset time to minimise light nuisance and energy wastage. This year, 48 stores received gold awards for recognition.
- Beginning in mid 2019, our stores are required to switch off their card readers during non-operational hours to save up to 3% of our total energy.
- Our installation rate of LED light raised from 84% (2018/19) to 90% (2019/20).



Minimise Waste at Source to Support Our City's Waste Target

The HKSAR Government has set a goal to lower the amount of waste generated at 292 kg per person per year to alleviate the landfill's saturation problem. Sa Sa is committed to helping our city achieve this goal. During the year, we continued to implement our strategy to reduce, reuse and recycle across our logistics centre, retail stores and offices, in an effort to minimise waste disposal to landfill.

We understand that a substantial source of our waste comes from the packaging materials that protect our products during transportation: most of the products we procure are first sent to our logistics centre before being distributed to individual retail stores. While we are relentlessly exploring new ways to lessen the waste generated through this distribution processes, and have employed a number of measures to reduce, reuse and recycle in our logistics center.



Reduce

- Continuous evaluation to identify opportunities for reduction of packaging material, e.g., in 2019/20, we began to use double instead of triple wall corrugated carbon box to reduce waste. Although each box is 31% lighter, it still protects products well.
- Pallet wrap machines are employed to reduce stretch film consumption in the wrapping of loaded pallets for transportation.
- Whenever our stores replenish our 20 best-selling products, the order must be a multiple of the quantity contained in a carton box to avoid the need for re-packaging. Not only does it benefit the environment, it also saves us time and cost.



Reuse

- Each carton box is used on average four times before being recycled.



Recycle

- Our recycling service provider collects and recycles our used cartboards, stretch film and pallets

Carton box recycled:



148 tonnes

Wooden Pallet recycled:



4.7 tonnes

Stretch film and air packing recycled:



3.2 tonnes

Proper Waste Classification and Handling

Waste classification is important in the development of a robust waste management system. Damaged or expired goods which need to be disposed of are classified into solid, liquid or chemical waste and are disposed of in the following manner:

- When we reached a certain quantity of solid and liquid waste, we submit a Disposal of Special Waste at Landfills Admission Ticket to the Environmental Protection Department. The waste is only sent to landfill through our service provider after we receive approval. In 2019/20, we disposed 19.2 tonnes of solid waste (e.g. paper masks) and 15.7 tonnes of liquid waste (e.g. shampoo).
- When our chemical waste (such as perfume) reaches a certain quantity, we notify the Chemical Waste Treatment Centre (CWTC) to make arrangements for disposal. This year, we did not dispose of any chemical waste.

Responsible Waste Management at Stores

While our waste management working group will continue to coordinate the waste reduction effort across our stores, the below are some measures in place:

- Offer incentives to reinforce reduce, reuse and recycle at stores.
- Coordinate with relevant property management companies and cleaning service providers to facilitate recycling efforts.
- Return carton boxes from stores to logistics centre for reuse purpose.
- Deliver orders to stores in suppliers' carton boxes to save carton boxes.
- Provide our subcontractors with guidance to ensure that waste generated during renovations should be properly handled.



Our staff takes environmental protection seriously.

Minimise Our Customers' Impacts on the Environment

We are in compliance with the Product Eco-responsibility Ordinance (Cap. 603) of Hong Kong and the Restrictions on the Supply of Plastic Bags (Law No. 16/2019) of Macau. For every shopping bag*, Sa Sa charges customers HK\$0.50 in Hong Kong and MOP\$1 in Macau. During the year 2019/20, Sa Sa distributed around 2.37 million plastic bags to its customers, 15% less than last year. While more customers brought their own shopping bags, the reduction was partly due to the drop in number of transactions this year. With the inclusion of Macau's transactions this year, the average number of shopping bag per transaction was 0.168, a 6.7% reduction as compared to the previous year.

* Our shopping bags are made of paper sourced from sustainably and responsibly managed forests and certified by the Forest Stewardship Council (FSC). The plastics content of the shopping bags is made from oxo-biodegradable material to lessen their impact on the environment.

Our Environment

Since 2015, we have invested around HK\$3.9M to inspire our people and community to preserve the beauty of our planet among employees and consumers every year. Over HK\$1M of this green investment was from the plastic bag levy collected.

Unfortunately, most of the activities originally planned for this financial year were cancelled due to the social unrest and COVID-19. Nevertheless, Greeners Action's red packet recycling program aiming to promote environmental awareness and re-use went ahead as planned.

Provide Convenience to Customers in Recycling Their Red Packets

In 2020, Sa Sa sponsored and participated in the Red Packet Reuse and Recycling Programme organised by Greeners Actions for the seventh consecutive year. We placed collection boxes at our offices and across 50 retail stores. We collected 1,869.5 kg of red packets after Chinese New Year. With an average of 400 red packets per kilogram, this amounted to approximately 747,800 red packets, equivalent to saving 38* trees.



Mr Angus Ho and Ms Man Yip from Greeners Action checked the red packets with our Senior Logistics Manager, Ms Doris Wong

Save Paper

Noticing paper waste was the second constituent of municipal solid waste, we target to reduce our paper usage by 50 percent as compared to 2014/15 baseline levels by 2025. Aside from installing paper recycling bins, we launched "follow me printing" in which our printers only print out the documents if users scan their staff card. Apart from minimising the weekly circulation materials, we also encourage frontline staff to read them on devices.

No Single-use Utensil at Sa Sa

Since the "bring-my-own-utensils" culture has been formed in Sa Sa, we stopped providing single-use utensils in our internal social gatherings. This year, the Company even purchased extra re-usable dishes and utensils to ensure this culture at Sa Sa can sustain when some of us forget to bring our own set to work.

Additionally, we collected 158 items from the office and from colleagues' donations for recycling through Caritas Computer Workshop this year.

* According to the organising group, consuming 320 million red pockets are equivalent to cutting 16,300 trees down. Therefore, collecting 747,800 red packets for reuse purpose are equivalent to 38 trees saved.

Create a Strong Corporate of Sustainability



Since Sa Sa understands advancing energy and resources efficiency requires every staff to act as a collective force today, Sa Sa has been consistently enhancing their sustainability awareness through active engagement. We believe that when our people are inspired to live sustainably, they make gradual changes to their working habits to positively impact not only the surroundings around them but also our business.



Dr Guy Look

Chief Financial Officer and Executive Director



Key Development in 2019/20

Sa Sa Green Month: Waste Less, Recycle and Reuse More

To create an influential corporate culture of sustainability, we designated November as Sa Sa Green Month for everyone in the company to acquire the practical environmental knowledge, advice and help they need through our “live green” events and activities this year. Built on last year’s momentum, we chose responsible waste management as our central theme again this year to inspire our staff to reduce, reuse and recycle waste at home and at work.

Week 1: Give a Book, Take a Book

Sa Sa introduced the first book exchange corner for colleagues to “give a book” and “take a book” in November. It not only helped nurture a reading habit in colleagues but also revive their old books. Most importantly, reusing a book over and over from bookcrossing reduces the book’s carbon footprint per “read”.



Sa Sa supports green-read culture.

Week 2: The Annual Green Lunch and Learn “Not Waste, but Resources!”

We organised the annual green lunch and learn to pamper our frontline, logistics and office colleagues with a vegetarian buffet while updating them with the pressing environmental challenges and consequences that are relevant to their life and health during lunch.



Mr Hahn Chu shared his thoughts on “Not Waste, but Resources!”.

This year, Mr. Hahn Chu from The Green Earth, shared his insights on “Not Waste, but Resources!”. Our Chief Financial Officer and Executive Director, Dr Guy Look, also passed on his experiences and tips of reducing waste at home and at work.

Week 3: Cook Smart, Eat well and Waste Less

Knowing that food waste was the largest constituent of Municipal Solid Waste in 2018, we held “Cook Smart, Eat Well and Waste Less” culinary classes to encourage colleagues cherish and make the best use of food. Through these activities, they learnt not only how to cook smart, eat well and waste less, but also enjoyed a relax break from cooking while bonding with one another.



Week 4: Turn Outworn Cloth into Beewax Wrap

Noticing that our colleagues have embraced our “disposable plastic free” culture, we hosted two workshops for them to turn outworn cloth into beewax food wrap, a great substitute for plastic cling films or aluminium foil to keep food fresh. Everyone not only brought home with a set of eco wraps but also the skills to make more.



Green DIY workshop helps unleash the creativity of our colleagues to go green at Sa Sa.

Our Environment

Put the Environment at the Heart of Our Communications

Apart from the designation of Sa Sa's Green Month, we continued to leverage on several internal communication channels to share Sa Sa's environmental commitments, aspirations and challenges with our staff:

- Our quarterly newsletter has hosted a Green & Gorgeous column to share environmental news and daily green tips with all staff since 2012.
- Updates on environmental policies and procedures are circulated internally through various digital means.
- All new hires receive training on Sa Sa's environmental policies to learn about the company's ethos and how everyone can play a part in minimising our operations' environmental impacts, sharing our commitment to preserve the beauty of the planet.



We spread the words internally about Food Angel's Mooncake Donation Program every year

Promote Sustainable Supply Chain

Sa Sa is committed to addressing the environmental and social impacts of our business within our operations and across our supply chain. We trust operating a sustainable business will enable us to serve our customers for generations to come. Operating over a hundred retailer stores in Asia, we also aspire to use our influence to engage our stakeholders to promote sustainable supply chain and thus strengthen the resilience of our business.

Climate Change Mitigation

Sa Sa believes mitigating the effects of climate change requires every stakeholder in the supply chain to do their parts too. Thus, we have committed to pursue ambitious emissions and waste reduction to inspire those across the product supply chains to join us. Due to the complex nature of supply chain, we also continue to work with suppliers, NGOs, customers and others to contribute to create business, social and environmental values through building a sustainable supply chain together.

Choose the Right Partners Referencing to International Standards

We encourage our suppliers to adopt responsible and sustainable practices with respect to a range of environmental and social issues outlined in our Responsible Product and Supply Chain Policy. We have included these expectations in our current ISO-certified process of engaging with new suppliers. This process gives preference to suppliers which integrate considerations for environmental conservation, protection of endangered species, protection of labour rights and welfare, equal opportunities, non-participation in animal testing, and responsible sourcing into their own operations. When selecting logistics partners for the distribution of goods from our central warehouse to our stores, environmental protection is one of our selection criteria.



Responsible Product and Supply Chain Policy

Source Responsibly in the Pursuit of Beauty

As part of our commitment to the quality of our consumer products, it is important that we take into consideration their environmental impacts. One impact attracting global scrutiny is plastic waste: a devastating problem for the world's oceans and marine life. We are concerned about the use of plastics in our business operations and have implemented measures to reduce the impact on biodiversity and the environmental, thereby preserving the beauty of the ocean.

In 2016, Sa Sa introduced a policy to ban the use of microbeads* in all our cleansing and exfoliating products by the end of 2018, regardless of whether the products are manufactured or distributed by us. This allowed us to join hands with our customers in protecting marine life and people's health. Sa Sa was among the first cosmetic retailers in Hong Kong that pledged to phase out the use of microbeads in the cleansing and exfoliating products we carry. This exemplary move set an example for industry peers to follow, and fostered discussions among governmental authorities and industry to regulate the sale of these products.

Sa Sa seeks to maintain a balance between providing quality products for our customers to pursue their personal beauty and preserving the beauty of the ocean. We would continue to monitor international studies on the environmental impacts of personal skincare and cosmetic products and regularly review our policy.



We are committed to maintaining high quality of our products

Key Achievement in 2019/20

Sa Sa Honoured with Prestigious HKAEE Gold Award

Sa Sa was proud to be the first local cosmetic retailer to win the 2019 Hong Kong Awards for Environmental Excellence (HKAEE) Gold Award in the Retailer Sector category.

Recognised as the most prestigious environmental award scheme in Hong Kong, the HKAEE encourages businesses and organisations to embrace green management and innovation with the opportunity to benchmark their environmental performance and commitments towards best practices within their sectors.



Our Executive Director Ms Kwok Sze Wai Melody received the HKAEE Gold Award on behalf of Sa Sa

Deeply rooted in Hong Kong, this winning was a tremendous encouragement to Sa Sa because the Award has recognised our commitment, determination and drive to achieving environmental excellence to make Hong Kong and our planet a sustainable place to live and work. Aside from the involvement of green leadership, the acknowledgement has also included our teamwork to sustain progressive environmental improvements and our collaboration with partner organisations to establish synergies in greening our operation.

Sa Sa's Next Step

To further advance resource efficiency at Sa Sa, we plan to:

- Continue to look for opportunities to reduce energy use and waste across the Company
- Conduct a climate change impact scenario analysis to better understand the nature of climate change and its potential implications for the retail sector
- Develop Supplier Sustainability Risk Assessment

* Microbeads are plastics of less than 5mm in length or diameter. In the past few decades, microbeads were widely introduced in cleansing and exfoliating products for facial and body use. Recent research studies showed that microbeads put marine life and people's health at risk. Some countries and multinational brands have banned, or are taking steps to eliminate, the use of microbeads in exfoliating and cleansing products.

Our People

SUPPORT OUR TALENTS



To create beautiful experiences for our customers, we must first build beautiful experiences for our talents. Aiming to empower every talent to realise their full potential to grow and shine, Sa Sa has for years spared no effort in equipping our talents with relevant skills and opportunities to become the leading lights of the cosmetic retail sectors.

Key Challenges

1. Retail Opportunity

- Affected by global and local circumstances, a prolonged recession is expected to cloud the growth of Hong Kong's retail industry

2. Staff Engagement

- Transforming staff to changing needs with limited resources without scarifying quality is uneasy

3. Workplace Wellness

- Expectations on work-life balance and workplace health and safety keep evolving

Beautiful Ambition: SASA 2025

Our Commitment

- Galvanize talents to reach their full potential
- Enhance staff engagement and communication
- Foster workplace wellness

Our Target

- Cultivate a high-performance culture
- Nurture a vibrant and diverse workforce with robust training and succession plan

Our Key Development This Year

- Set up 24-hour stress management hotline for our talents at every level to speak with an external expert privately and freely when necessary
- Successfully applied for accreditation for our Junior Beautician Training courses
- Upgraded the Company medical insurance for our talents at every level

Employee Profile

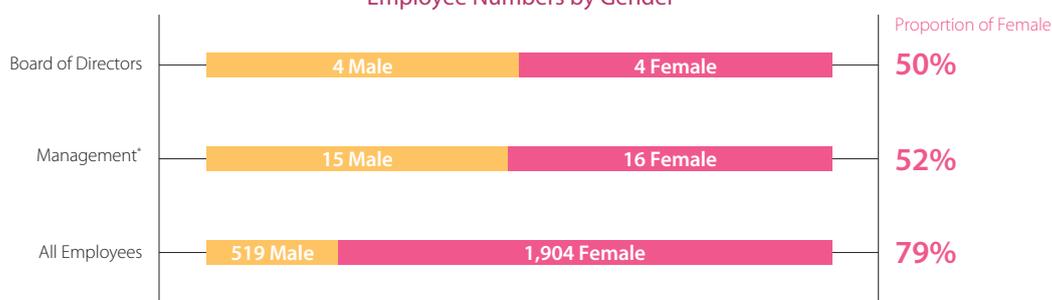
Employee Numbers by Employment Type



Employee Numbers by Age Group



Employee Numbers by Gender



Employment Policy



Training and People Development Policy



Health and Safety Policy

Galvanize Talents to Reach Their Full Potential

Our talents are the very heart of Sa Sa. Our business and future rely on these ambassadors of ours. For Sa Sa to flourish and shine, we are committed to making life beautiful for our talents, and so they feel connected to our vision and can actively contribute to our shared success. We thus offer diverse opportunities for them to learn and thrive, gain confidence and satisfaction, and take pride in carrying out their roles.

Transform from Dreamer to Beauty Expert

Growing Sa Sa's professional Beauty Consultants is one of our key missions. We take it seriously to train those who aim to devote to the cosmetic and retailing industry, providing our customers with excellent service and realising our "Making Life Beautiful" vision as well as long-term business goals.

We have well-established learning and development plans and programmes to ensure our staff to embrace the knowledge and skills to fulfil their potential and serve with heart. We provide a clear career development path for our frontline talents. On average, it takes six years for a Sales Trainee to become Assistant Shop Supervisor, Shop Supervisor or Sales Supervisor.

* For the purpose of this ESG report, "management" refers to senior management on page 55 to 60 of this annual report, all department heads, department directors and associate director.

Frontline Development Path



Junior Beautician Trainee
175 hours

Sales Trainee
~80 hours

We target high school graduates with no prior work experience in similar roles. The 4-month training includes:

- Basic knowledge of cosmetics
- Sales and communication techniques
- Opportunities to conduct sales

We hire candidates with one to two years of work experience for this role, and provide 6 months' training which includes:

- Make-up techniques
- Sales techniques
- Practical English
- Customer service
- Product knowledge

Beauty Consultant

Core: 35 hours
Advanced: 37 hours
Total: 72 hours

It takes about 12 months to be promoted from Sales Trainee to Beauty Consultant, and continuous training will be provided:

- Advanced product knowledge
- Advanced customer service
- Sales techniques and customer psychology

Big Sister and Brother

Core: 18 hours
Advanced: 3 hours
Total: 21 hours

Aiming to develop our experienced colleagues into coaches to train junior colleagues, this scheme enables the transfer of valuable knowledge and mentorships to junior staff. While each Big Brother or Big Sister will guide one or two of their junior colleagues, through coaching, our Big Brothers and Sisters can also acquire new skills to prepare themselves for the shop supervisor role. Currently, we have over 200 Big Sisters and Big Brothers in Sa Sa.

Outstanding Big Sister and Brother / Shop Trainer Programme

Core 30 hours
Advanced: 3 hours
Total: 33 hours

Big Brothers and Sisters can further develop their skills with the aim to become a team leader or shop supervisor at Sa Sa. They gain knowledge of personnel management in preparation for promotional or other opportunities.

This year, 106 staff members have completed the curriculum of Junior Beautician Trainee during the year and are ready to spread their wings in their beautiful career.



Incubate Sa Sa's Future Leaders

Sa Sa is dedicated to training university graduates and senior members of staff with the potential to become future leaders at Sa Sa, making life beautiful under the company's mission.



I am happy that I graduated, and Sa Sa recognised my dedication. Through the JBT and MT programmes, my service skills, sales abilities and product knowledge have improved a lot. Putting them into practice at work benefits me from not only greatly enhancing my self-confidence but also effectively solving customer queries. Most importantly, I understand more about Sa Sa's strategic decisions, and this allows me to prepare myself better to connect with the Company's goals and its long-term development plans.

Kathryn Yau
JBT and MT graduate

Management Trainee (MT) Programme

- A 24-month programme
- Running for 17 years since 2004
- For fresh graduates who are ready for a challenging career
- Provides training on adaptability, team-work and problem-solving skills

Management Trainee Programme, catering to the different aspirations of future talents:



Sales & Operations:

- Retail shop operation focus
- Deep insight on products and customer relations management



Marketing, Category Management and Product Development

- Product sourcing and management focus
- Opportunity to gain insight in operation and product buying



Logistics

- Business and process optimization focus
- Chance to engage in projects aiming at best in class fulfilment solution



Finance and Account

- Principally finance and accounting focus
- Exposure to all aspects of transaction and financial reporting

Applications

507

Final Intake

8

Rounds of selection and screening required

3

Programme Duration

24 months



Three years ago, like any other final-year students, I was still struggling and confused about my first job and career path after graduation. Until one day, my friend invited me to attend the recruitment talk of Sa Sa Management Trainee (MT) Programme together, and I could not believe this one-hour session would change my life inadvertently. Apart from on-the-job and internal trainings, the MT Programme also offered me the opportunities to attend external conferences and courses which opened up my eyes. For instance, the Six Sigma and Lean green belt certificate course, AutoCAD training course and the Computing Conference 2018 of Alibaba Cloud which have been the

most valuable experience during the training period. I feel lucky that I have picked the right company to further my career, a work place that brings happiness and sense of job satisfaction. Don't forget you on average spend one third of your time at work. Hence, it is somehow as important as finding your "lifetime partner".

Allison Chan
Business Analyst



Placement Opportunity outside Hong Kong

Staff with proven skills that we think could be replicated outside Hong Kong would have an opportunity to be placed outside Hong Kong to assist with the business development in other markets to broaden their horizons. In the past, staff have been placed in the Mainland, Macau and Malaysia.

Corporate Successor Programme

Sa Sa values staff as our major asset, to nurture them, we have recently launched a Corporate Successor Programme. Department heads select appropriate middle management staff to attend structural program developed by our Training and People Development team, this is to boost their performance to climax and equip them to become the company's future leaders.

Continued Education and Professional Development

Sa Sa provides upskill training to help our talents acquire professional qualification and become the most all-rounded talents in the beauty industry. In this way, we raise the bar for the wider cosmetic retail sector and have others to follow us. We also partner up with post-secondary institution to attract and nurture talents for our industry.

Recognition of Professional Qualifications under Qualification Framework

Some of our professional beauty consultants have served our customers for more than a decade. To better recognise their expertise in the beauty industry, Sa Sa has joined the Recognition of Prior Learning (RPL*) programme, a mechanism under Qualification Framework (QF). It provides an alternative route for beauty practitioners to obtain recognised qualifications based on their work experiences and enables them to facilitate their on-going professional development.



* Assessment under the RPL in Retail and Beauty Industry are conducted by the Vocational Training Council.

To further enhance the career potential of our talents, Sa Sa Beauty Academy has successfully applied for the QF accreditation recognized by the Hong Kong Council for Accreditation of Academic and Vocational Qualification (HKCAAVQ) in July 2019. Four* of selected subjects in our Junior Beautician Trainee programme are now level-2-QF credits.

Honorary Fellowship and Professional Membership Awarded by The Professional Validation Centre of Hong Kong Business Sector

The Professional Validation Centre of Hong Kong Business Sector (PVCBS) conferred an Honorary Fellowship on Ms Melody Kwok, Executive Director of Sa Sa, at its Award Presentation Ceremony in Honour of Honorary Fellows, Fellows, Associate Fellows and Professional Member 2019, in recognition of her outstanding achievement in the Hong Kong business sector as well as positive contribution to the cosmetic industry and society. Additionally, nine of our frontline talents were granted Professional Membership in the same ceremony.



Ms Melody Kwok and the nine frontline talents congratulated one another on their achievement

E-Learning platform

Sa Sa Beautiversity is an internal multimedia training e-platform to ensure our talents are attuned to our customers' ever-changing needs and expectations and are continually equipped to serve them with heart.

Continued Education Subsidy

In addition to the structured training programmes offered by our Training and People Development and Human Resources department, a subsidy of HK\$10,000 or 30% of their salary is offered to each employee for pursuing courses of their choice**.

* The below four subjects of our Junior Beautician Training Programme are now Level-two-QF credits: 1) identify various types of skin and skin care; 2) use general cosmetic products and tools; 3) build up relationship with customers; and 4) use good communication skills to facilitate transactions.

** The conditions supplied are that:

^{a.} The course should be deemed relevant to their duties by their supervisors.

^{b.} If an individual's employment with Sa Sa is voluntarily terminated within 12 months after reimbursement, it becomes the individual's obligation to pay back Sa Sa any monies received through the subsidy during the 12 months' period preceding the termination date.

Nurturing talents for the future sector



students were awarded internship opportunities.

The Business-School Partnership Programme (BSPP) of the Education Bureau

Provides students with internship opportunities, allowing them to gain two-days of frontline experience, deepening their understanding of the industry.



students received training.

VTC Earn & Learn Scheme

Provides paid internship opportunities or tuition sponsorship for students to receive on-the-job training while studying, nurturing a new generation of retail specialists.

Make Sa Sa a Beautiful Place to Work through Engagement, Remuneration and Wellbeing

At Sa Sa, we acknowledge that our business grows stronger when we invest in our talents. We actively seek to infuse the pursuit of beauty into different aspects of our employees' experience, from their compensation and benefits to our workplace and internal communications. Our ultimate goal is to make Sa Sa the perfect workplace where everyone in this big corporate family feels valued and supported to deliver their best to make every day beautiful for Sa Sa including themselves and our customers.

Staff Engagement

Listening and learning from first-hand experience is precious; our management take their insight into the account of developing new business strategies. Two-way internal communications via different channels to engage our staff. With this, we understand their needs and expectation in order to provide adequate and immediate responses.



Objective Communications Meeting 2019

Channel	Participants	Details
Board meetings	Board of Directors	We held four Board and 15 Board Committee meetings this year to ensure that the interests of major stakeholders were addressed and key strategic priorities were clearly defined.
Management meetings	Management team	Monthly management meetings ensure continuous alignment of operations to the Company's strategic priorities and weekly meetings involving core business units ensure continuous alignment of efforts between business units.
Objective communications meeting	All frontline staff, and senior and middle management from the office	An annual meeting where all frontline staff from over 100 shops of Hong Kong and Macau led by different line managers gathered to interact with senior and middle management from the office, to share major strategic directions for the year and reinforce the support provided by the backend office to the customer-facing frontline. Aiming to improve ourselves and stay competitive in the market, the topic this year is "United for success".
Supervisor meetings	All shop supervisors and representatives from key business units	All shop supervisors and the management team met monthly so that regular realignment of priorities could be discussed and followed.
Line meetings of each Operation Managers	Frontline staff, heads or representatives from core business units in the office	Led by Operation Managers, we held line meetings for three times this year to enable shop staff to meet and exchange ideas and share experiences.
Internal Newsletters	All staff members	We send an internal e-newsletter to share ESG updates to all staff members every quarter and all frontline staff every month.
Staff Recreation Club	All staff members	All staff members are invited to join a broad range of recreational activities each year, such as movie night, barbecues, and cooking workshops.
ESG workshop and activities	All staff members	We organise various green-themed activities every year to inspire our staff members to care for our environment.

Remuneration and Benefits

We review Sa Sa's remuneration package annually. We offer discretionary bonuses as well as sales bonuses, commissions, share options, and share awards to reward superb performance. Relevant details are set out in the Employment Policy and Employee Handbook.* In the fiscal year 2019/20, the Group invested around HK\$1,027 million in employees compensation and benefits, representing about 18% of annual sales turnover of the entire Group.

Sa Sa also evaluates staff welfare policies regularly. Aside from offering shuttle buses to make commuting during peak hours less of a hassle for our employees, we have upgraded the Company medical insurance plan at every level in this financial year.

Our human resources department meets with frontline staff from time to time to gather their feedback and report their views to the management team.

* Which includes:

- a. Recruitment, remunerations and welfare
- b. Performance reviews and promotion
- c. Working hours and rest periods
- d. Staff dismissal and end of contract arrangements

Foster Employee Wellness

Work-Life Balance

Sa Sa recognises the hard work of our people and strongly believes in the philosophy of “happy staff, happy company”. Every year, we organise different recreational activities outside of work for our people to cultivate a robust communal environment and healthy work-life balance within the Company.

Denim DIY Workshop

With the guidance of professional denim artists, our people got to experience the fun and joy textile printing, splash painting and laser printing at work. Everyone was so proud of their unique denim tote bags that we saw some of them used them the next day.



Moon Lamp Workshops

A several rounds of moon lamp workshops were held for colleagues to craft their own creative and stylish moon lamps that could illuminate the room with colours. At the end of the workshop, colleagues brought home with warm wishes and the moon lamp to celebrate the Mid-autumn festival with their loved ones.

July



August

Movie Night with Coworkers, Friends, and Family

Sa Sa values the importance of spending fun time with family and friends. Last August, Sa Sa sponsored a movie night for us to share with our family and friends how Sa Sa appreciated our positive contributions. While we enjoyed a movie called “The Current War” with free popcorns and soft drinks, having an electrifying night together with our beloved ones helped us wind down after a hectic day.

September



Staff Recreational Activities

Total no. of activities organised:

6

Total no. of participants:

591



Partnered up with a local florist, SaFleur, we held a mindful Christmas wreath DIY workshop for our colleagues right before Christmas. With all fresh evergreen, mixed leaves and dried fruit provided by SaFleur, our colleagues created their own majestic Christmas wreath with professional florists.



November

Zentangle Workshop

To bring peaceful moments to coworkers, our Human Resources Department held an array of "Mindful Drawing – Basic Zentangle" workshops in both November and December. With the basic Zen drawing skills and steps, participants could relax in the meditative self-reflection and enjoy the mindfulness practice to understand ourselves better through the zentangle art.



December

Christmas Carnival 2019

Our annual Christmas party was held in the form of carnival this year for the very first time, colleagues bring their family members and kids to enjoy the Christmas feast in food stalls, fun in booth games and lucky draw in the festive season. Again, this was the second year we stopped providing single-use utensils and 100% of our staff managed to use non-disposable utensils.

Our People

Sense of Sa Sa Family

Sa Sa hopes that each colleague can work happily, feeling that working at Sa Sa is as warm as 'home' to achieve the goal of 'Joy at Sa Sa' and 'Flying High'.



Monthly Birthday Lunch Party

Sa Sa believes creating a harmonic work environment for our staff is a way to enhance a sense of belonging. We hold a birthday lunch each month to celebrate with all birthday stars with a meal prepared by our in-house chef with non-disposable utilities and birthday cakes.



Mooncakes for Mid-Autumn Festival

Like family, Sa Sa celebrates festive seasons too. Our Chairman and Vice-Chairman sent their warmest greetings to each department, including frontline and back-office staff, with boxes of mooncakes to share the festival joy.



Team Building Fund

As a token of appreciation for their hard work, Sa Sa sponsors every department to organise activities on their own for team building purpose.

Create a Safe, Healthy and Inclusive Work Environment

Led by the head of human resources together with members from various departments, the Health and Safety Committee is responsible for monitoring the implementation of Sa Sa's Health and Safety Policy. The policy sets out the roles of employer and employees in maintaining a safe and healthy work environment and is reviewed periodically to ensure regular updates and improvements. To minimise workplace injury, we also include a module on workplace safety in our staff induction. In 2019/20, there was zero non-compliance with health and safety regulation.

Keep Stress at Bay

We understand stress is from all around. Our Human Resources Department held seven workshops for staff at every level to learn how to manage stress and a total of 169 participants attended. In each workshop, a professional social worker shared tips and exercises to help them relax. Moreover, a 24-Hour Counselling and Consulting Hotline was available this year for all staff members to express themselves to an external expert privately and freely.

Protect Our Talents from COVID-19

The safety of our talents matters. During this unprecedented time, we have implemented many measures to keep them safe, healthy and supported, including:

- Provide all our staff with high quality, disposable face masks to wear and hand sanitisers to use at work.
- Supplied daily necessities, such as, rice, tissue rolls and hand sanitisers, to ensure our people are fully geared to fight against this coronavirus.
- Reserve quota for our staff members to buy face masks to cater the needs of their family members.
- Clean and sanitise common areas frequently.



Protect our talents from COVID-19



Stress management talk at Sa Sa

- Follow the HKSAR Government's mandatory quarantine measures for those who traveled outside Hong Kong and encourage healthy hygiene habits as guided by Centre for Health Protection.
- Compulsory body temperature check for twice every day.
- Remote office arrangement and shift duty policy are applied to the vulnerable groups at work.
- Special seat arrangements are applied to our offices while monitoring and metering is applied to our stores.
- All stores are closed by 8 p.m.

Pursue Respect and Fairness

We believe the different experiences and skillsets of our staff inspire us to better serve and engage our diverse customers and communities. Thus, Sa Sa is also committed to creating and maintaining a fair and inclusive workplace. The Employment Policy* clearly states the importance of maintaining an inclusive and harmonious workplace that is free of discrimination, physical or verbal harassment against any individuals with regards to race, religion, colour, gender, physical or mental disability, age, birthplace, marital status, sexual orientation or any other status protected by applicable law.

Sa Sa's anti-bribery policy and practices** help to ensure a fair and upright work environment. We recorded zero non-compliance incidents relating to anti-corruption and bribery during the year. Our Internal Audit and Management Services department is responsible for the implementation of the policy. More details can be found in the Enterprise Risk Management Report.

Key Achievement in 2019/20

Won the Best Employee Wellness Award

Sa Sa received the "Best Employee Wellness Award – Platinum" at Best HR Awards 2019 organised by CTgoodjobs in recognition of the Group's effort in caring overall employee wellbeing with improved staff engagement and performance, boosting productivity in the long run.

Honoured with LinkedIn's "Most Engaging Employer Brand 2019"

To attract the right talents, Sa Sa strives to build awareness and engage our ideal talents to get a sense of what life is like for our talents at Sa Sa and the available career opportunities here. In recognition of our best-in-class branding strategies and contents that have differentiated us from other industry peers, LinkedIn Hong Kong awarded us with the "Most Engaging Employer Brand 2019" this financial year.



Sa Sa's Next Step:

To continue to have our talents feel respected and empowered at Sa Sa, we plan to:

- Revamp Sa Sa's e-platform Beautiversity to make internal training more accessible to every level of our staff members.
- Continue to collectively and systematically review and formulate initiatives to improve employee retention and wellness through the talent development working group and health and safety committee.

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

** Our Whistleblowing Policy provides the necessary mechanisms for employees to report misconduct within the company. Our Gifts and Entertainment Policy, Conflict of Interest Policy and Guidance on Prevention of Bribery Ordinance manage and prevent possible bribery and conflicts of interest.

Our Community

ACHIEVE SUSTAINABLE GROWTH



A thriving community is a prerequisite to the success of our business as it provides the markets, resources and infrastructure that support our business to flourish. As a socially responsible corporate citizen, we must strive for sustainable growth to help bridge economic, social and environmental gaps.

Key Challenges

- 1. A 10-year High Poverty rate**
 - Over 1.41 million of Hong Kong residents live under poverty line
- 2. Increasing Number of Elderly Living in Poverty and Isolation**
 - Elderly poor population surges to 516,600 and some live alone with struggling income
- 3. Gender Equality**
 - Support equal opportunities and rights for female (SDG 5) is part of the UN' s Sustainable Development Goals
- 4. Millennials Call for Responsible Companies**
 - Ignoring the rising expectations of the millennials on social responsibility when we conduct business means we are at risk of losing our appeal to them as their potential employer, beauty expert or community partner

Beautiful Ambition: SASA 2025

Our Commitment

- Blossom with the community
- Capture the sustainability trends and opportunities
- Strive to be a responsible business

Our Target

- A 10% increase in voluntary hours each year
- Partner up with different stakeholders to unleash innovation for sustainability

Our Key Development This Year

- Created a "Beautiful Ambition: SASA 2025" to build a more sustainable, responsible and responsive business
- Aligned social and environmental risks with our enterprise risks
- Sa Sa Making Life Beautiful Charity Fund donated HK\$2.18 million in 2019/20 to foster social harmony by empowering the people in needs.

Join Hands to Inspire Beauty in Our Community

Empowering our community to make life beautiful is our responsibility and a tradition long embraced by Sa Sa. We support the development of communities throughout our business operations, tapping into the resources we have, as well as engaging the talents of our people and the expertise of our community partners.

Empower Women to Make Life Beautiful for Themselves

About 80% of Sa Sa's employees are women, and most of our sales trainees are secondary school graduates without any prior work experience. Their career choices might be limited by not having a formal qualification from a tertiary education institute. We offer them comprehensive on-the-job training, and a clear development path, with the potential to progress from a Sales Trainee to a Junior Beautician Trainee, then become a Beauty Consultant, Senior Beauty Consultant, Big Sisters or Big Brothers, Assistant Shop Supervisor, Shop Supervisor, and finally Shop Manager. For our talents whose education level is not high, what we provide is not just a job. At Sa Sa, our talents not only gain confidence to shine for life but also a profession with prospect and a life-long career path.

Women of Hope 2019 Entrepreneur Award

In recognizing Sa Sa's leadership and continuous commitment to 'Making Life Beautiful' towards the communities, underprivileged and women, our Founder and Vice-Chairman Dr Eleanor Kwok was awarded the "Women of Hope 2019 Entrepreneur Award" by Hong Kong Adventist Hospital Foundation. The "Women of Hope Entrepreneur Award" selects and honors outstanding women leaders who have made inroads into carving out their own businesses. These women use their position of influence and power to further the hope and future of other women through economic or culture empowerment.



Every woman should acknowledge she has the power of making life beautiful for herself if she wants to, especially when it comes to career. Thus, since its establishment, Sa Sa is strongly committed to helping women fulfill their potential. And I believe when women are economically empowered, our society will become a fairer, merrier and more beautiful place to live for everyone and that our business and economy will flourish in it too.

Dr Eleanor Kwok
Sa Sa Founder and Vice-chairman

Our Community

Create Social Impact Through Employee Volunteering and Charitable Giving

Community engagement has long been one of Sa Sa's core values. Although some programmes were cancelled due to local circumstances such as the recent COVID-19 outbreak, we still had 426 employees across the company who joined our 11 employee charitable giving and volunteering programmes and devoted a total of 436 hours altogether to give a helping hand to those in need in our society.

May, Aug, Nov 2019

Love for the Elderlies – As a long-term sponsor and supporting organisation of the Po Leung Kuk (PLK) Elderly Home Visit, it is a tradition for our family members and us to cheer up the group of elderlies who live alone in Tseung Kwan O regularly. This year, we visited our senior friends for three times.



Aug 2019

Raise Fund for Social Services to the Underprivileged – We continued to participate in Po Leung Kuk Flag Day, one of PLK's major income streams, to support a wide range of services, including children and youth services, education services, elderly services and rehabilitation services.



Oct 2019

Go Casual for A Cause – Sa Sa joined The Community Chest's "Dress Casual Day" once again. Our colleagues dressed in casual wear to support the needy in the community.



Dec 2019

Support Dental Health with Sparkling Teeth: Sa Sa has supported the Love Teeth Day for the 5th consecutive year. It aims to draw attention to dental care while helping the Community Chest to enhance oral health for the needy in Hong Kong.



Jan 2020

Put Our Best Foot Forward for Charity: Aside from being one of the prize sponsors of Po Leung Kuk Charity Run, our coworkers also ran to raise fund for PLK's children and youth services and its medical assistance fund-raising programme.



Jan 2020

Walk for Millions – To recognize its work in helping the needy, Sa Sa continued to play an active role in supporting the Community Chest this year, through both donations and participation in one of its significant programmes – Hong Kong and Kowloon Walk for Millions.



Bridge the Generation Gap

Since last year, our long-term partner, Po Leung Kuk and we have been working together on a two-year community project to foster cross-generation communication and collaboration via the STEAM (Science, Technology, Engineering, Arts and Mathematics) education. Due to the COVID-19 outbreak and other local circumstances, the planned STEAM activities and engagement among elderly and youth were postponed for safety reason. However, our company ambassadors together with some youth from the neighbourhood still managed to send prevention care packs to the elderly in needs in Tsuen Wan while sharing with them the right knowledge on preventing COVID-19 during this difficult time.



Moreover, to support the concept of 'Suspending Classes without Suspending Learning', Po Leung Kuk F.S.F.T. Children and Youth Development Centre offers various self-learning STEAM classes for 800 participants, including DIY classes and science lessons via an online learning platform.



Po Leung Kuk F.S.F.T. Children and Youth Development Centre was the place I went every day with my friends after school for extra curriculum before the pandemic. I was very excited to join the online classes provided by the Centre. Although I was not physically sitting in the classroom, I was still able to learn via the screen and catch up with the latest STEAM programme. Apart from the scientific theory of washing hands, I also learnt how to make my own hand disinfectant. This online arrangement not only enhanced my self-discipline and self-learning ability at home, it also introduced me to a flexible e-learning mode which I believe is becoming a big thing for our generation.



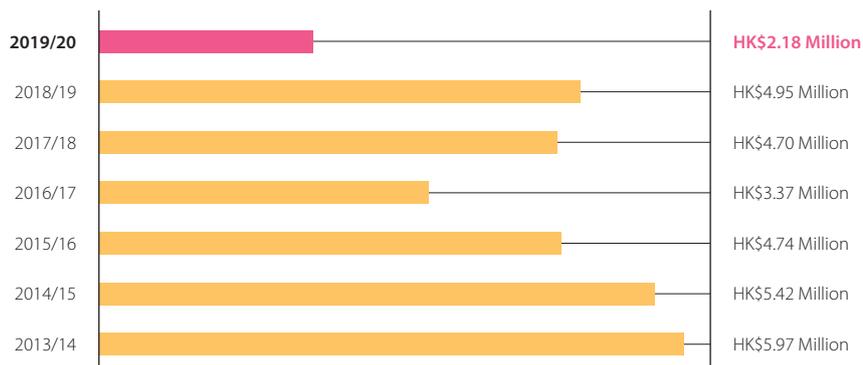
Sa Sa Sincere

Sa Sa Sincere is the corporate volunteer team that aims to bring colleagues who share the passion of caring for the community together to make a difference in our society. To encourage staff to join us, our colleagues and their family and friends are awarded certificates of attendance and supermarket coupons as our token of appreciation for their support.

Our Charity Committee is made up of representatives from different departments and is a platform for exchange of ideas on how we may work together to create more positive impacts in the community.

Sa Sa Making Life Beautiful Charity Fund

Sa Sa recognises our community contributes to our success. Since its establishment in 2013, Sa Sa Making Life Beautiful Charity Fund has been relentlessly providing financial assistance to empower the people in need and foster social harmony in our society. Under the leadership of our Chairman Dr KWOK Siu Ming Simon and Vice-chairman Dr KWOK LAW Kwai Chun Eleanor, the fund donated HK\$2.18 million in 2019/20 to worthy causes promoting the wellbeing of the community.



COVID 19 Feature Story



Total number of disinfectant donated:

 **748,500** ml

Total number of wet wipe donated:

 **6,250** pieces

Total number of disposable face masks donated:

 **90,060** pieces

Total number of disinfectant spray donated:

 **5,000** ml

Total number of organisation benefited:

 **11**

Our Anti-COVID19 work:



Support the Vulnerable Groups to Fight against Coronavirus

Since 1978, Sa Sa and Hong Kong have stood together, backing each other through thick and thin. Seeing how our fellow residents have battled hard to safeguard their health, especially during the early days of COVID-19 outbreak, our team has been going all out to do what they can to help. While taking care of our talents and customers, Sa Sa has also devoted our corporate resources and networks to support our community partners and vulnerable groups during this tough time. We genuinely hope that our presence in the community brought relief to individuals through different channels in this critical moment. Driven by our belief of “making life beautiful”, as a community, we trust we can make life beautiful together by fighting the coronavirus together.

Team up with The Community Chest

Sa Sa donated anti-epidemic products to the Community Chest. Our Chairman joined Mr Leon Lai and the packing team of the Community Chest to prepare the health kits, which included disposable face masks and hand sanitizers, for people in need.



Our Dedication towards Po Leung Kuk

As a dedicated supporter to Po Leung Kuk, apart from monetary support, Sa Sa has been very involved in hands-on support to the community.



We Are in This Together

Sa Sa has never ceased our efforts in community engagement even COVID-19 has hit us hard too. We partnered with Po Leung Kuk to distribute protective disposal face masks to the vulnerable groups.



Hand in Hand for a Stronger Community

When anti-epidemic products were in short supply in the local community, Sa Sa allocated our resources with a priority to Po Leung Kuk for the packing of anti-epidemic kits. These kits were then distributed directly to the vulnerable groups via different Po Leung Kuk centres. Our Vice-Chairman and representatives from TVB Artist Volunteer Team, Mr Pakho Chau, Ms Shiga Lin and Ms Hana Kuk, spent an afternoon together to pack and distribute the kits at one of the centres.



Bring Hope to the Education Sector

Today's youth is the cornerstone of tomorrow's society. Sa Sa donated disposable face masks to six local primary schools to lessen their administrative stress in sourcing anti-epidemic products for students before schools resume.

Protect Our Elders with Love

Senior citizens of Hong Kong have made a tremendous contribution to our city and we believe it is our duty to ensure they can enjoy their twilight years in a peaceful and healthy way with love.

Honour Our Seniors by Helping Enhance Their Wellness

Adhering to its motto of "Respecting Life · Impacting Life", Sa Sa sponsored the Haven of Hope Christian Service with hand sanitisers and wet wipes to express our care and love to the elderly during this rough period.

Special Offer for Senior Citizens

We understood senior citizens were unfamiliar with online shopping and social media, so we offered 140,000 pieces of disposal face masks at 'the warmest senior price' of HK\$1 each for every holder of senior citizen card to purchase.

Complimentary In-store Printing Service for All HKDSE Candidates

To ensure the health and wellbeing of all HKDSE candidates, the Hong Kong Examinations and Assessment Authority (HKEAA) required every exam-taker to submit a health declaration form before entering the examination centre. Sa Sa offered free printing service to support all HKDSE students by making printing easier for them.

Stay ahead of Trends and Opportunities for Sustainability

As a leading cosmetic retailer, Sa Sa has been staying on top of the market. Not only do we provide our customers with the latest cosmetic and beauty products, before the rise of ESG trend, we have also been developing ourselves as a forerunner in Hong Kong's cosmetic retail sector. Our efforts have brought us prestigious awards and ratings and set an example for other business to follow us. Reflecting from the below two bold moves of ours, as the society's expectations of business increases, to shine and glow for the next decade, Sa Sa must continue to keep ahead of the curve and capture opportunities for sustainability to create lasting impacts for our community in which we operate.

Microbeads: We Banned, Others Followed

2014: Discussed with Plastic Free Seas (ENGO) about the issue of microbeads

2016: Hong Kong's 1st cosmetic retail chain to introduce a policy to ban the use of microbeads* by 2018

2018: Completed phase-out of microbeads and others joined our movement

2019 and onward: The HKSAR Government is looking into ways to lessen the impacts of microbeads

Carry a Variety of Green Beauty Products

Back in 2016, we started featuring green beauty products at Sa Sa. Each year, we provide more and more green beauty products for our customers. This year, we have been internally looking into ways to empower our customers to know more about green beauty at a deeper level, and so they can have the beauty they want with the ingredients they choose.

Strive to Be a More Responsible Business

From environmental footprints to social impacts, investor demands and all in between, businesses are anticipated to display responsible and responsive behaviour in these areas and be accountable to an ever-broader group of stakeholders. If we are behind in any aspect, we will lose two costly commodities: reputation and trust. To remain competitive in our sector, Sa Sa strives to be a more responsible and responsive business.

To achieve so, as the first of project of the newly formed Sustainability Steering Committee, the Committee worked closely together with the Board to create a five-year plan "Beautiful Ambition: SASA 2025" to build a more sustainable, responsible and responsive business.

Sa Sa's Next Step

To achieve sustainable growth for our business and community, we plan to:

- Offer annual ESG training at every level to further raise ESG awareness at Sa Sa and so our talents will incorporate sustainability in their work routine too
- Engage different stakeholders to unleash innovation for sustainability
- Inspire lasting beauty and harmony in our community with a focus on employee volunteering

* As there is currently no substitute for microbeads in cosmetic products like eyeshadow, eyeliners and foundation, the ban of microbeads applies to all our cleansing and exfoliating products at present

About this Report

Scope of this Report

The Scope of the Report This is the seventh ESG Report of Sa Sa International Holdings Limited, covering Sa Sa's progress and highlights in sustainable development from 1 April 2019 to 31 March 2020.

Unless otherwise stated, the ESG Report covers Sa Sa's operations in Hong Kong and Macau only. These markets represent the core of all our operations, contributing to more than 80% of the Group's turnover in the year that ended on 31 March 2020.

The Standards and Assessment of the Report

This Report is prepared in accordance with the 'Comply or Explain' and 'General Disclosure' provisions in the ESG Reporting Guide, which can be found under Appendix 27 to the Listing Rules of HKEx. We confirm that this Report has adopted, and is in full compliance with, the 'Comply or Explain' and 'General Disclosure' provisions. Reference to the relevant KPIs can be found in the HKEx ESG Reporting Guide Content Index (pages 134 to 135).

Feedback

Readers are invited to share their thoughts and suggestions on our ESG Report or our sustainability performance by filling out the online survey, or emailing us at esg@sasa.com.



Beautiful Ambition: SASA 2025

This sustainability framework demonstrates our commitment to the United Nations Sustainable Development Goals and the action needed to tackle the problems facing our society today. We may have no perfect solution to every challenge identified and cannot succeed on our own, but we are committed to collaborating with different stakeholders to achieve continuous improvement and to be transparent about what we learn on this journey to sustainable beauty.



Social ¹		2018/19	2019/20
Total Headcount	nos.	3,049	2,423
by Gender	nos.		
Male		640	519
Female		2,409	1,904
by Age Group	nos.		
Under 36		1,635	887
36-55		1,282	1,184
Over 55		132	64
by Employment Type	nos.		
Full-time		2,653	2,262
Part-time/Temporary		396	161
Average Hours of Training per Employee and Percentage (%) of Employees who Received Training²	hrs.	13.6 (59%)	19.7 (67%)
By Gender	hrs.		
Male		12 (58.9%)	14.6 (51.4%)
Female		14.1 (58.4%)	20.8 (70.9%)
By Employee Category	hrs.		
Management ³		4.4 (33.3%)	4.3 (38.3%)
Managers		2.5 (57.2%)	3.7 (52.6%)
All other employees		15.7 (59.2%)	22.2 (68.4%)
Fatality	nos.	0	0
Work-related injuries	nos.	35	30
Lost day due to work injury	days	1,133.5	1,588
Average days of sick leave taken by employee per month	days	0.25	0.27

	2018/19		2019/20	
	Overall	Excluding employees who left during probation period	Overall	Excluding employees who left during probation period
Total Turnover Rate	36.5%	21.5%	35.6%	28.1%
By Gender				
Male	16.5%	10.0%	34.9%	27.3%
Female	54.3%	31.8%	36.1%	28.4%
By Age Group				
Under 36	45.8%	29.0%	45.%	32.4%
36 – 55	27.6%	13.4%	23.1%	15.4%
Over 55	11.7%	11.7%	124.4%	137.8%

Data Footnotes:

¹ In line with our ESG reporting scope, the scope of social data only covers employees from Hong Kong and Macau operations.

² "Training" refers to all types of vocational training and workshops, conferences or seminar on industry development.

³ "Management" refers to senior management on page 55 to 60 of this annual report, and all vice-presidents, department directors and associate directors.

Environmental		Unit	2019/20	2018/19	2017/18	2016/17	2015/16	Baseline 2014/15
GHG emissions¹		tCO ₂ e	12,074	14,897 ²¹	15,867	17,216	17,916	19,498
Scope 1	Company-owned transport fleet and employee-owned vehicles used for business purposes	tCO ₂ e	170	156	151	159	148	137
Scope 2	Purchased electricity used in our offices, logistics centres and stores ³	tCO ₂ e	11,675	14,364	15,303	16,619	17,511	19,063
Scope 3	Business air travel	tCO ₂ e	61	66	85	92	125	143
	Fresh water supply and sewage treatment	tCO ₂ e	12	10	16	17	19	18
	Paper disposal at landfills ^{3,4}	tCO ₂ e	86	88	99	72	112	137
	Transport fleet owned by the external logistics operators	tCO ₂ e	70	213	204	-	-	-
Carbon Intensity⁵		kg CO ₂ e/sqm GFA	209	255	225	300	311	363
		kg CO ₂ e/HK\$ 1m revenue	2,547	2,097	2,347	2,747	2,858	2,663
		kg/CO ₂ e/headcount	4,982	-	-	-	-	-
Electricity consumption		MWh	19,162	23,534	24,329	24,941	26,406	26,392
Stores		MWh	15,082	18,876	19,996	20,919	22,504	23,105
Offices		MWh	2,656	1,564	1,584	1,623	1,629	1,407
Logistics centres		MWh	1,424	3,094	2,750	2,399	2,273	1,880
Electricity intensity		kWh/sqm GFA	332	403	345	434	458	491
		kg CO ₂ e/HK\$ 1m revenue	4,044	2,025	2,263	2,652	2,793	2,604
Water consumption		cu.m	19,517	16,198	26,495	28,495	33,515	30,691
Water intensity		cu.m/sqm GFA	0.34	0.28	0.38	0.50	0.58	0.57
		kg CO ₂ e/HK\$ 1m revenue	4.12	1.34	2.30	2.67	3.03	2.44
Vehicle Fuel Consumption		'000L	84,628	130,697	127,364	140,458	54,323	50,119
	Company-owned transport fleet and employee-owned vehicles used for business purposes	'000L	61,908	61,683	55,224	58,658	54,323	50,119
	Transport fleet owned by the external logistics operators	'000L	23,520	69,014	72,140	81,800	-	-
Vehicle fuel efficiency		L/sqm GFA	1.47	2.24	1.81	2.44	0.94	0.93
		kg CO ₂ e/HK\$ 1m revenue	50	51	54	64	24	19
Vehicle Sulphur Oxides (SOx) emissions		g	1,272	1,972	1,915	2,115	-	-
Paper consumption		kg	31,020	37,510	41,544	43,176	47,771	47,056
		'000 pcs	6,265	7,508	8,304	8,631	9,547	9,316
Paper use intensity		pcs/headcount	2,586	2,462	2,713	2,757	3,028	2,872
		kg CO ₂ e/HK\$ 1m revenue	12	10	15	14	18	19
Business air travel		'000 km travelled	435	447	578	595	804	929
Business air travel intensity⁶		km travelled/headcount	174	147	189	190	255	286
		kg CO ₂ e/HK\$ 1m revenue	13	9	13	15	20	20
Carton box consumed		'000 pcs	436	376	405	411	305	-
Shopping bag consumption⁶		'000 pcs	2,373	2,805	2,529	2,646	2,866	3,010
Shopping bag consumption intensity⁶		Pcs/transaction	0.168	0.180	0.178	-	-	-
Natural resources recycled								
Paper	Office	kg	19,514	22,412	20,816	24,894	24,369	18,602
	Logistics Centre	kg	148,000	232,600	-	-	-	-
Plastic	Office	kg	241	294	161	102	38	-
	Logistics Centre	kg	3,200	20,702	-	-	-	-
Aluminium		kg	114	91	102	87	65	-
General waste	Office	kg	21,971	22,308	25,143	26,043	23,907	-
	Stores	kg	494,684	581,660	-	-	-	-
Hazardous waste		kg	-	-	-	1,696	3,874	-

Data Footnotes:

¹ GHG Emissions are calculated in accordance with the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong (2010 Edition) issued by EMSD & EPD.

² Last year, we reported a total of GHG emissions of 14,873 tCO₂e. It should be 14,897 tCO₂e instead.

³ Emissions associated with electricity purchased are calculated based on the latest available emissions factors provided by the power companies

⁴ Figures cover the printing paper used in office, logistics center and stores only. Carton box used for logistics purpose and the other printing materials (e.g. promotion leaflet) are not included. Emissions avoided by recycling paper have been incorporated.

⁵ Carbon intensity in the unit of kg/CO₂e/headcount is newly added this year.

⁶ The quantity of shopping bags consumed at stores in Hong Kong and Macau only with respect to the levy on plastic shopping bag under the Product Eco-Responsibility Ordinance (Cap. 602) and the Restriction on the Supply of Plastic Bag (Law No. 16/2019).

Subject Areas, Aspects, General Disclosure and KPIs	Description	Reference/Explanation
A. Environmental Aspect		
A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	P. 105 Environmental Policy
KPIA1.1	The types of emissions and respective emissions data	P. 105 and 133
KPIA1.2	Greenhouse gas emissions in total and, where appropriate, intensity	P. 105 and 133
KPIA1.3	Total hazardous waste produced and, where appropriate, intensity	P. 133
KPIA1.4	Total non-hazardous waste produced and, where appropriate, intensity	P. 133
KPIA1.5	Description of measures to mitigate emissions and results achieved	P. 105 to 108
KPIA1.6	Description of how hazardous and non-hazardous waste is handled, reduction initiatives and results achieved	P. 108 to 111
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources including energy, water and other raw materials	P. 105 Environmental Policy
KPIA2.1	Direct and/or indirect energy consumption by type in total and intensity	P. 105 and 133
KPIA2.2	Water consumption in total and intensity	P. 106 and 133
KPIA2.3	Description of energy use efficiency initiatives and results achieved	P. 105 to 107 and 111
KPIA2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	There is no issue in sourcing water that is fit for purpose.
KPIA2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	P. 106, 107, 133
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies to minimise the issuer's significant impact on the environment and natural resources	P. 105 Environmental Policy
KPIA3.1	Description of significant impacts of activities on the environment and natural resources and the actions taken to manage them	P. 110 to 111
B. Social Employment and Labour Practices Aspect		
B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	P. 113 Employment Policy
KPIB1.1	Total workforce by gender, employment type, age group and geographical region	P. 113
KPIB1.2	Employee turnover rate by gender, age group and geographical region	P. 132
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	P. 113 Health & Safety Policy
KPIB2.1	Number and rate of work-related fatalities	P. 132
KPIB2.2	Lost days due to work injury	P. 132
KPIB2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	P. 122
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	P. 113 to 118 Employment Policy, Training and Development Policy
KPIB3.1	The percentage of employees trained by gender and employee category	P. 132
KPIB3.2	The average training hours completed per employee by gender and employee category	P. 132

Subject Areas, Aspects, General Disclosure and KPIs	Description	Reference/Explanation
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	P. 113 Employment Policy
KPIB4.1	Description of measures to review employment practices to avoid child and forced labour	P. 113 Employment Policy
KPIB4.2	Description of steps taken to eliminate child and forced labour practices when discovered	P. 123
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	P. 110 Responsible Product and Supply Chain Policy
KPIB5.1	Number of suppliers by geographical region	P. 99
KPIB5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	P. 99 to 100 and 111
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	P. 110 Responsible Product and Supply Chain Policy
KPIB6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	P. 99
KPIB6.2	Number of products and service related complaints received and how they are dealt with	P. 100
KPIB6.3	Description of practices relating to observing and protecting intellectual property rights	P. 100
KPIB6.4	Description of quality assurance process and recall procedures	P. 99
KPIB6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	P. 100
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	P. 123
KPIB7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	P. 123
KPIB7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	P. 123
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	P. 124 Environmental, Social and Corporate Governance Policy
KPIB8.1	Focus areas of contribution	P. 125 to 130
KPIB8.2	Resources contributed to the focus areas	P. 127

Effective and Two-way Communications

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

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

Through multiple platforms, the Group communicates with the investment community to allow them to understand the business and strategies, to brief them on the latest company updates available to the public and to share the management’s views on the outlook. As part of the investor relations function, it is recognised that communication has to be conducted in both directions and so to this end, the Group also collects feedback from investors and analysts for the attention of executive management and the Board of Directors. This also helps to formulate the investor relations plan and improve the investor relations practices on an on-going basis. The Group also aspires to adopt digital investor relations practices to improve communication efficiency, user experience and lessen environmental impact. In addition, the Group is committed to continuous improvement of our environmental, social and governance (“ESG”) strategy and execution on a systematic basis and start to enrich the ESG disclosure through investor relations presentation materials.



★ Dr LOOK Guy

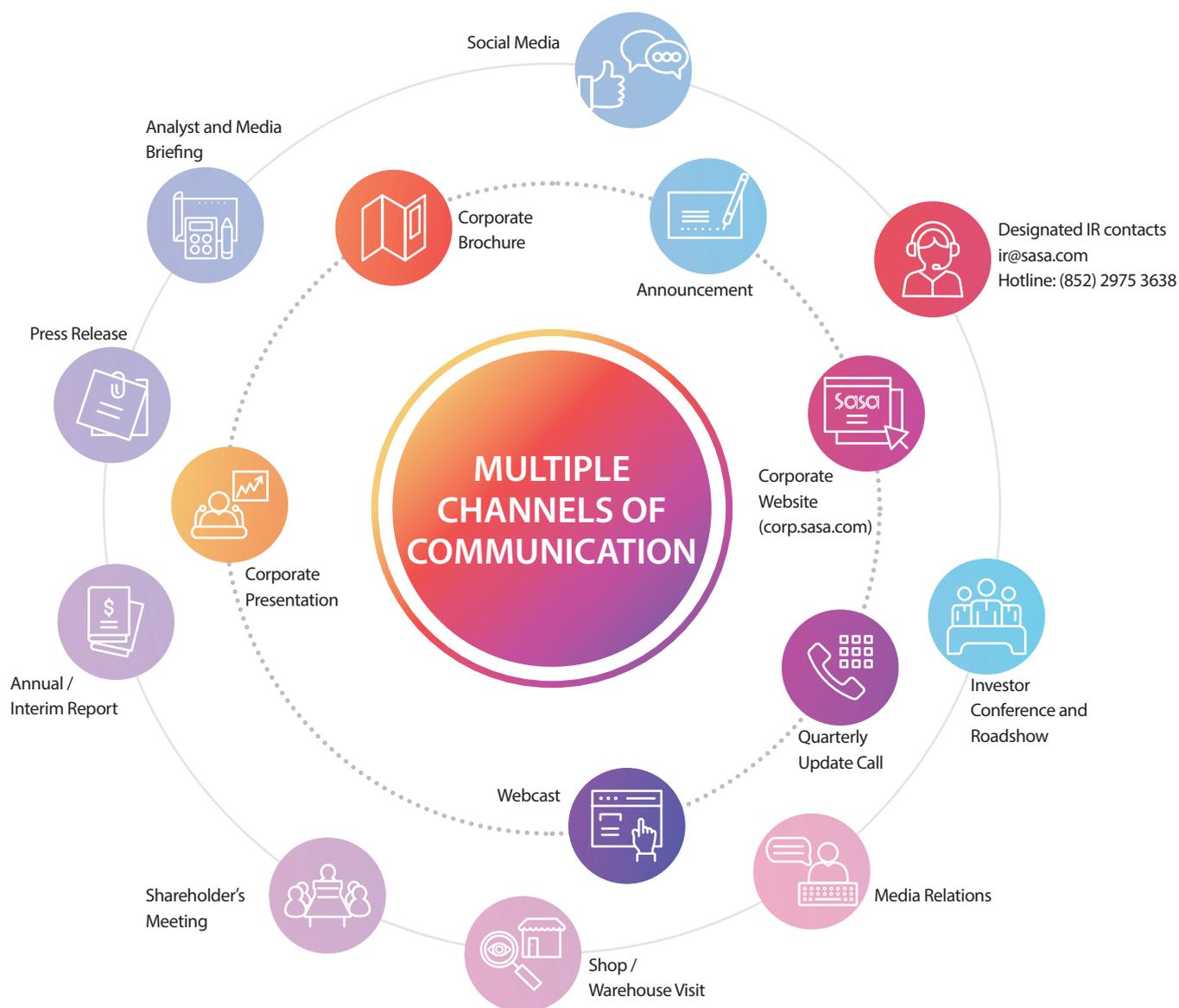
👤 Chief Financial Officer and Executive Director

Shareholders' Communication Policy

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

Communication Platforms

Multiple Channels of Communication



As an environment-conscious corporate citizen, we encourage investors to access corporate information and updates via the Company's or the HKEx's website. All announcements and relevant information are easily accessible in the "Investor Relations" section following our releases. Information is also released by email to all persons who have requested that their names be added to our database. Any person who wishes to be added to this database can do so by sending an email to ir@sasa.com.

Investor Relations Report

We are committed to continuous improvement of our ESG strategy and execution on a systematic basis. On the communications front, apart from communicating our ESG performance to investors and other stakeholders through traditional means such as the annual report and company website, we have started to enrich our ESG disclosure through investor relations presentation materials. The goal of this initiative is to help investors make better investment decisions through clearer understanding of our ESG strategy and execution, and how they form part of the long-term sustainable development of our business.

Digital IR

With the advancement in technology, digitalisation in investor relations has become more important. The Group believes this initiative can enhance our on-going investor communication channels with higher efficiency, also enabling the Group to be more interactive with investors.

Demand is rising for webcasts or virtual events apart from traditional investor meetings. Investors also expect information disclosure via multiple channels in a timely and transparent manner. In view of this, the Group has adopted different digital channels to disclose our operational updates, with earning calls and webcasts to enhance our engagement with both local and overseas investors. The approach allows the Group to reach and interact with a wider base of investors without geographical limit.

Echoing to the Group's principle of sustainable development, we have streamlined our information access with investors through digital ways to reduce waste. For instance, QR codes are provided for investors to view presentation materials by electronic device during analyst briefings. Such convenient and paperless options will continue to be promoted.

Moving forward, the Group will continue to explore potential digital solutions to maintain the close connection with investors throughout our daily operations. The Company's website revamp is in progress, and shall present a more user-friendly and interactive interface to investors upon completion. This can improve investors' access to our corporate information and offer a more personalised browsing experience. With digital implementation, the Group strives to strengthen our messaging for efficient, interactive and successful investor communications.

Investor Relations Activities

The Group is highly supportive of the investor relations function. Our Executive Directors, Director of Corporate Communications and Investor Relations and designated representatives interact regularly with the market in a variety of ways in order to facilitate two-way communication between the Company, Shareholders and the investment community. The Group upholds the principles of Non-Selective Disclosure for price-sensitive information. Historical financial information, operational data, corporate strategies, industry updates and the future outlook of the Company are available to the public via the Company's website and the HKEX's website. Our communications with the investment community and Shareholders are based on information that is in general publicly available.

The Group also maintains continuous communications with Shareholders and the investment community via multiple channels, with comprehensive coverage of institutional and retail investors. We regularly arrange results briefings, investor meetings, teleconferences with active participation in investor conferences and roadshows to ensure timely and effective communications with Shareholders and the investment community. Webcasts of the Interim and Annual Results Analyst Presentations are available on the Company's website for those cannot attend results briefings in person. The Group has also maintained continuous dialogue with sell-side analysts of financial institutions, which publish research reports on the Company. QA session has been arranged after the voting of Annual General Meetings to facilitate face to face interactions with our registered shareholders.

Investor Relations Activities Analysis

Close Engagement with Institutional Investors

Major conferences

10

Non-deal roadshows

5

Investor Meetings

178

Analysts covering Sa Sa

14

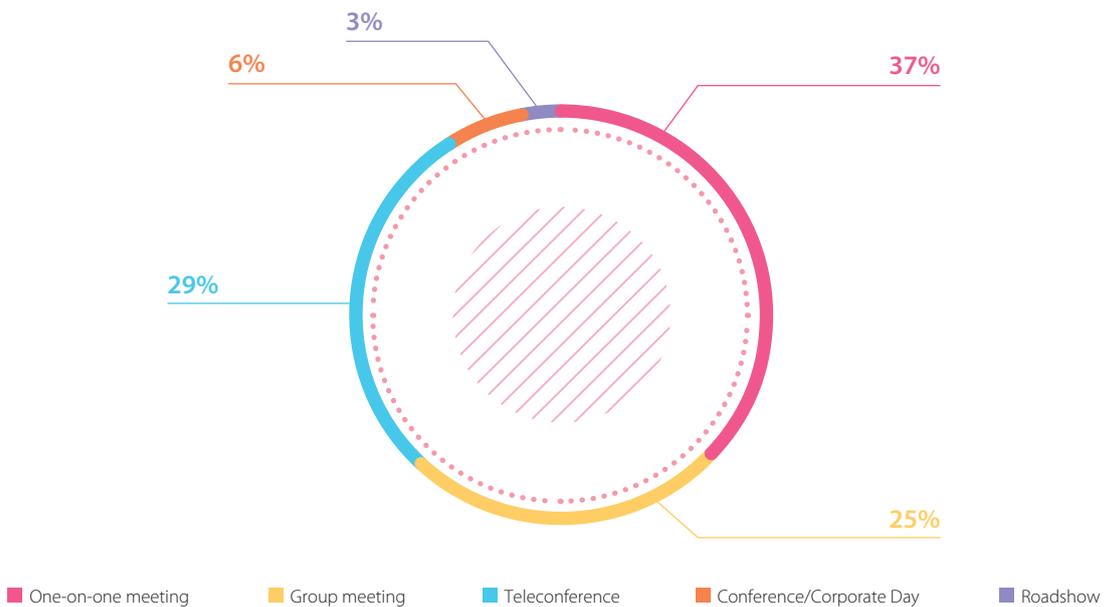
Research reports

>120

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

No. of Events by Types

FY2019/20



Roadshow and Conference

FY2019/20	Event	Organizer	Location
Q1	Post-results non-deal roadshow	CLSA	Hong Kong SAR
	HK China Consumer Corporate Day 2019	Nomura	Hong Kong SAR
	2019 Consumer Goods Corporate Day	Huatai Securities	Hong Kong SAR
Q2	Post-results non-deal roadshow	DBS Vickers	Singapore
	26th CLSA Investors' Forum	CLSA	Hong Kong SAR
	ICBC Consumer Corporate Day	ICBC	Hong Kong SAR
Q3	Post-results non-deal roadshow	Jefferies	Hong Kong SAR
	Post-results non-deal roadshow	Fubon	Taiwan of China
Q4	Goldman Sachs Consumer Corporate Day	Goldman Sachs	Hong Kong SAR
	J.P. Morgan's Hong Kong & China Consumer 1x1 Forum	J.P. Morgan	Hong Kong SAR
	Jefferies Consumer Day	Jefferies	Hong Kong SAR
	Citi Consumer Corporate Day	Citi	Hong Kong SAR
	Nomura Hong Kong Corporate Day	Nomura	Hong Kong SAR
	Non-deal roadshow	UBS	Hong Kong SAR
	Morgan Stanley Virtual Summit	Morgan Stanley	N/A

Share Register Analysis

Communication Initiatives for The Shenzhen-Hong Kong Stock Connect Programme

Sa Sa has been a constituent stock in the Hang Seng Composite SmallCap Index and became a qualified stock in the Shenzhen-Hong Kong Stock Connect Programme, becoming open for trading by investors in the Mainland Chinese stock market from December 2016.

During the year, in order to arrange targeted investor activities for our existing and potential shareholders, we have closely monitored the shareholding and geographical distribution of our Mainland Chinese private investors. According to the Central Clearing and Settlement System (CCASS) operated by Hong Kong Securities Clearing Company Limited, 0.46% of the Company's total issued capital was held by Mainland Chinese investors through China Securities Depositor and Clearing Limited as of 31 March 2020.

Shareholders' Meetings

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

The last Shareholders' meeting was the AGM held at 16/F, V Point, 18 Tang Lung Street, Causeway Bay, Hong Kong on 2 September 2019, for approval of, among others, the re-election of retiring Directors and the general mandates to issue and purchase shares. Particulars of the major items considered at the AGM are set out in the circular dated 19 July 2019. All proposed ordinary resolutions were passed by way of poll votings at the AGM.

The 2020 AGM will be held at 16th Floor, V Point, No. 18 Tang Lung Street, Causeway Bay, Hong Kong, 27 August 2020 (Thursday) at 12:30 p.m.

Shareholders' Rights

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

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

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

Shareholding Structure

According to the Company's share registrar, Sa Sa had 1,565 registered shareholders as at 31 March 2020. This number does not include individual Shareholders and corporations that have an indirect interest through intermediaries including custodians and nominees, investment funds and the Central Clearing and Settlement System (CCASS) operated by Hong Kong Securities Clearing Company Limited. If these entities are taken into account, the Company's actual number of Shareholders would be larger.

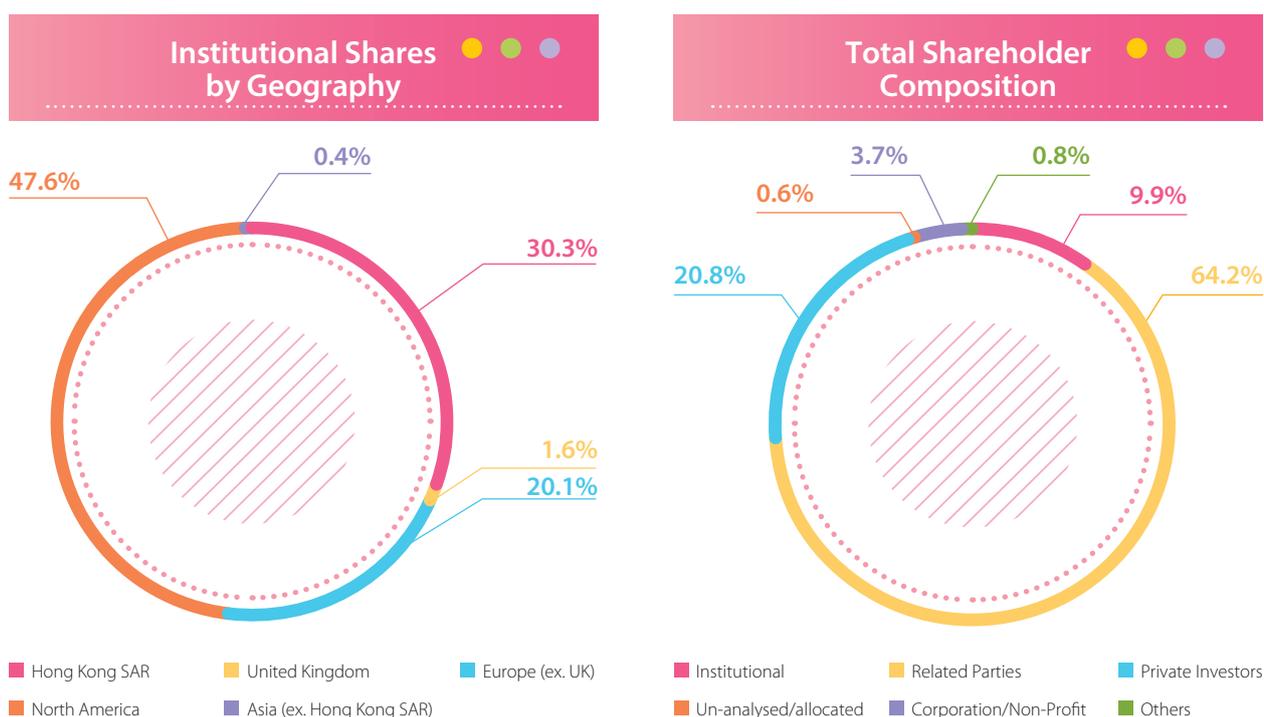
Our largest beneficial shareholders are Dr KWOK Siu Ming Simon, Chairman and CEO, and Dr KWOK LAW Kwai Chun Eleanor, Vice-chairman, both Executive Directors of the Company, who have a combined shareholding of 64.0%*. The 36.0% remaining proportion of the shares is held by a wide range of institutional investors across North America, Europe and Asia, and a considerable number of retail investors.

* Please refer to pages 145 to 159 in the "Report of the Directors" of this Annual Report for details of the Directors' and Chief Executive's shareholding interests.

During the year, we engaged NASDAQ Inc. to conduct "Shareholder Identification". This process analysed shares of the Company as at 31 March 2020, representing 99.34% of the total issued capital.

According to NASDAQ Inc.'s report, the Group's institutional shareholder base was composed of firms spanning 18 countries and accounted for 9.85% of the Company's total issued capital as at 31 March 2020, while the low turnover orientation# accounted for 73.8% of the total institutional shareholders.

Average holding period exceeds 24 months.



Shareholder Information

Financial Calendar

FY 2019/20 interim results announcement	21 November 2019
FY 2019/20 annual results announcement	18 June 2020
For determining shareholders' eligibility to attend and vote at AGM Closure of register of members	24-27 August 2020 (both days inclusive)
Record Date for eligibility to attend and vote at AGM	27 August 2020
Annual General Meeting	27 August 2020
FY 2020/21 interim results announcement	Mid to late November 2020

Share Listing

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

Ordinary Shares

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

Stock Information

Board lot	2,000 shares
Nominal value per share	HK\$0.1
Number of ordinary shares issued as at 31 March 2020	3,103,189,458
Public float as at 31 March 2020	Approximately 36%

Share Performance

Share Performance	FY2019/20	FY2018/19
Closing price as at 31 March	HK\$1.16 per share	HK\$2.68 per share
Highest price	HK\$2.78 per share	HK\$5.81 per share
Lowest price	HK\$1.11 per share	HK\$2.59 per share
Average daily trading volume	7.9 million shares	8.3 million shares
Average daily trading amount	HK\$14.9 million	HK\$32.0 million

Market Capitalisation

	Market Capitalisation HK \$ Billion
FY2019/20	3.6
FY2018/19	8.3
FY2017/18	12.3
FY2016/17	9.2
FY2015/16	7.0

Index Inclusion

Sa Sa is the constituent stock of 35 indexes managed under FTSE, MSCI, S&P Global and Hang Seng Index as of 31 March 2020.

FTSE Global Equity Index Series with HONG KONG Mid Cap Index	FTSE DEVELOPED ALL CAP EX US INDEX	FTSE RAFI Developed Mid Small ex US 1500 Index – QSR
FTSE ALL-WORLD EX US INDEX	FTSE DEVELOPED ALL CAP INDEX	FTSE MPF Hong Kong Index
FTSE All-World High Dividend Yield INDEX	FTSE DEVELOPED ASIA PACIFIC ALL CAP INDEX	MSCI AC Far East ex Japan Small Cap
FTSE All-World ex US High Dividend Yield Index	FTSE DEVELOPED EX US INDEX	MSCI ACWI EX US IMI
FTSE ALL-WORLD INDEX	FTSE Developed ex North America High Dividend Yield Index	MSCI EAFE Small Cap
FTSE All-World Equal Risk Contribution Index	FTSE Developed ex Multinational HONG KONG Index – General Retailers	MSCI World Small Cap
FTSE GREATER CHINA INDEX	FTSE Developed Asia Pacific Minimum Variance Index	S&P Global BMI index
FTSE World Asia Pacific Ex Japan INDEX	FTSE Developed Asia Pacific ex Korea Minimum Variance Index	S&P GVI Global index
FTSE World Ex UK INDEX	FTSE Developed Minimum Variance Shariah Index	S&P Access Hong Kong Index
FTSE GLOBAL ALL CAP EX US INDEX	FTSE RAFI Developed Mid Small ex US 1500 Index – Specialty Retailers	Hang Seng Composite SmallCap
FTSE GLOBAL ALL CAP INDEX	FTSE RAFI Developed ex US Mid Small 1500 Index	Hang Seng Corporate Sustainability Benchmark Index
FTSE DEVELOPED ALL CAP EX UK INDEX	FTSE RAFI Developed ex US Mid Small 1500 Net Index	

Dividend History

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

Dividend Per Share (HK cents)

Financial Year	Basic		Special		Total	Dividend Yield (%)	Dividend Payout Ratio
	Interim	Final	Interim	Final			
2019/20	–	–	–	–	–	–	–
2018/19	7.00	9.00	–	–	16.00*	6.0	105.2%
2017/18	3.50	11.00	–	3.00	17.50*	4.3	120.7%
2016/17	5.00	8.00	4.00	0.00	17.00	5.6	154.9%
2015/16	5.00	9.00	4.00	5.50	23.50	9.8	176.1%

* During the year, the final and interim dividends are payable in cash, with a scrip dividend alternative. As an incentive for shareholders to reinvest their dividends into the Company's shares, a 5% discount market price (being the average value of the closing prices of one Share on the Stock Exchange for the five consecutive trading days up to and including the record date) is offered to eligible shareholders who elect to receive the dividends in scrip.

Investor Relations Enquiries and Communications

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

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

Shareholders Service and Enquiries

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

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

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

Report of the Directors

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2020.

Principal Activities and Segment Analysis of Operations

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in Note 30 to the consolidated financial statements.

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

Business Review

A fair review of the Group's business is provided in the MD&A section (pages 40 to 48). Description of the principal risks and uncertainties facing the Group can be found under Our Strategy (page 15) and the ERM Report (pages 87 to 91). No important event affecting the Group has occurred since the end of the financial year under review. The outlook of the Group's business is discussed under Our Strategy (pages 13 to 15) and the MD&A section (pages 48 to 51 and 53). Certain financial key performance indicators which complement and supplement our financial disclosures are set out on pages 29 to 31. An account of the Company's relationships with its stakeholders are set out under Our Strategy (pages 7 to 15). More details regarding the relationship with our employees and discussions on the Group's environmental policies and performance are included in the ESG Report. To the extent necessary for an understanding of the development, performance or position of the Company's business, discussions on the Company's compliance with the relevant laws and regulations that have a significant impact on the Company are set out in the CG Report.

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

Results and Appropriations

The results for the year are set out in the consolidated income statement on page 165.

The Board did not declare any interim dividend for the six months ended 30 September 2019 (2019: 7.0 HK cents per share). The Board has not recommended the payment of a final dividend for the year ended 31 March 2020 (2019: 9.0 HK cents per share).

Dividend Policy

The Company has a policy on the payment of dividends, which is set out in the Corporate Governance Report on page 73.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last ten financial years is set out on pages 29 to 31 of this Annual Report.

Major Customers and Suppliers

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

Reserves

Details of the movements in reserves of the Group and the Company during the year are set out in Notes 26 and 31 to the consolidated financial statements.

Property, Plant and Equipment

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

Share Capital

Details of the movements in share capital of the Company during the year are set out in Note 25 to the consolidated financial statements.

Share Options

Share Option Schemes

- **2002 Share Option Scheme**

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

(a) Purpose

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

(b) Participants

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

(c) Total Number of Shares Available for Issue

- The maximum number of Shares in respect of which options may be granted under the 2002 Share Option Scheme shall not (when aggregated with any Shares subject to any other share option scheme(s) of the Company) exceed 10% of the issued share capital of the Company on 29 August 2002, the date on which the 2002 Share Option Scheme was adopted (the "2002 Scheme Mandate Limit"). Options lapsed in accordance with the terms of the 2002 Share Option Scheme will not be counted for the purpose of calculating the 2002 Scheme Mandate Limit.
- The 2002 Scheme Mandate Limit may be renewed at any time subject to prior Shareholders' approval but in any event shall not exceed 10% of the issued share capital of the Company as at the date of approval of the renewal of the 2002 Scheme Mandate Limit. Options previously granted under the 2002 Share Option Scheme or any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the refreshed 2002 Scheme Mandate Limit.
- The maximum number of Shares in respect of which options may be granted to grantees under the 2002 Share Option Scheme and other share option schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time.
- As at 18 June 2020, no further options could be granted under the 2002 Share Option Scheme and the total number of option shares granted but not yet exercised under this scheme was 26,985,988 Shares, which represented 0.87% of the total issued share capital of the Company at that date.

Share Options (continued)

Share Option Schemes (continued)

- 2002 Share Option Scheme (continued)

(d) **Maximum Entitlement of Each Participant**

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

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

(e) **Option Period**

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

(f) **Minimum Period for Which an Option Must Be Held Before It Can Be Exercised**

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

(g) **Consideration on Acceptance of the Option**

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

(h) **Basis of Determining the Subscription Price**

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

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

Share Options (continued)

Share Option Schemes (continued)

- 2002 Share Option Scheme (continued)

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

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

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

Name	Date of grant	Subscription price per Share (HK\$)	Period during which rights exercisable	Number of Share Options				
				Outstanding as at 1 April 2019	Granted during the year	Exercised during the year	#Lapsed during the year	Outstanding as at 31 March 2020
Directors								
Dr LOOK Guy	1 Mar 2012	4.77	28 Feb 2014 to 28 Feb 2022	4,690,998	–	–	–	4,690,998
			28 Feb 2015 to 28 Feb 2022	4,690,998	–	–	–	4,690,998
			1 Sep 2013 to 28 Feb 2022 ⁽¹⁾	3,381,996	–	–	–	3,381,996
			1 Sep 2014 to 28 Feb 2022 ⁽¹⁾	4,690,998	–	–	–	4,690,998
			25 Jun 2015 to 28 Feb 2022 ⁽¹⁾	4,690,998	–	–	–	4,690,998
Ms KWOK Sze Wai Melody	17 Jun 2011	4.95	17 Jun 2014 to 16 Jun 2021	50,000	–	–	–	50,000
			29 Jun 2012	4.85	29 Jun 2015 to 28 Jun 2022	70,000	–	–
Employees								
	30 Sep 2010	3.16	30 Sep 2013 to 29 Sep 2020 ⁽²⁾	492,000	–	–	(80,000)	412,000
			30 Sep 2013 to 29 Sep 2020 ⁽³⁾	40,000	–	–	–	40,000
	17 Jun 2011	4.95	17 Jun 2014 to 16 Jun 2021 ⁽⁴⁾	1,680,000	–	–	(170,000)	1,510,000
			17 Jun 2014 to 16 Jun 2021 ⁽³⁾	40,000	–	–	–	40,000
			17 Jun 2014 to 16 Jun 2021 ⁽⁵⁾	40,000	–	–	–	40,000
			17 Jun 2014 to 16 Jun 2021 ⁽⁶⁾	50,000	–	–	–	50,000
	29 Jun 2012 ⁽⁷⁾	4.85	29 Jun 2015 to 28 Jun 2022	2,527,000	–	–	(220,000)	2,307,000
			29 Jun 2015 to 28 Jun 2022 ⁽³⁾	40,000	–	–	–	40,000
			29 Jun 2015 to 28 Jun 2022 ⁽⁵⁾	50,000	–	–	–	50,000
			29 Jun 2015 to 28 Jun 2022 ⁽⁶⁾	120,000	–	–	–	120,000
			29 Jun 2015 to 28 Jun 2022 ⁽⁸⁾	200,000	–	–	–	200,000
				27,544,988	–	–	(470,000)	27,074,988

There are no share options cancelled during the year.

Share Options (continued)

Share Option Schemes (continued)

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

Notes:

- (1) The exercise of the share options is subject to certain performance targets that must be achieved by the director. The share options shall be exercised by the director not later than 28 February 2022.
- (2) On 30 September 2010, the Company granted share options to certain employees of the Company in order to reward them for contributing to the long term success of the business of the Group and to encourage and motivate them to continue to contribute to the success of the Group.
- (3) The grantee, Ms KWOK Lai Kwan Anna, is an associate of the chief executive and directors of the Company.
- (4) On 17 June 2011, the Company granted share options to certain employees of the Company in order to reward them for contributing to the long term success of the business of the Group and to encourage and motivate them to continue to contribute to the success of the Group.
- (5) The grantee, Mr KWOK Siu Hung Vincent, is an associate of the chief executive and directors of the Company.
- (6) The grantee, Ms KWOK Sea Nga Kitty, is an associate of the chief executive and directors of the Company.
- (7) On 29 June 2012, the Company granted 7,567,000 share options to certain employees of the Company in order to reward them for contributing to the long term success of the business of the Group and to encourage and motivate them to continue to contribute to the success of the Group. The exercise of 150,000 share options out of the outstanding balance of 2,717,000 share options as at 31 March 2020 is subject to certain performance targets that must be achieved by the related employees.
- (8) The grantee, Mr LAW Kin Ming Peter, is an associate of the chief executive and directors of the Company.

- **2012 Share Option Scheme**

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

(a) Purpose

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

(b) Participants

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

Share Options (continued)

Share Option Schemes (continued)

- 2012 Share Option Scheme (continued)

(c) **Total Number of Shares Available for Issue**

- (i) The maximum number of Shares in respect of which options may be granted under the 2012 Share Option Scheme shall not (when aggregated with any Shares subject to any other share option scheme(s) of the Company) exceed 10% in nominal amount of the issued share capital of the Company on 23 August 2012, the date on which the 2012 Share Option Scheme was adopted (the "2012 Scheme Mandate Limit"). Option lapsed in accordance with the terms of the 2012 Share Option Scheme will not be counted for the purpose of calculating the 2012 Scheme Mandate Limit.
- (ii) The 2012 Scheme Mandate Limit may be renewed at any time subject to prior Shareholders' approval but in any event shall not exceed 10% of the issued share capital of the Company as at the date of approval of the renewal of the 2012 Scheme Mandate Limit. Option previously granted under the 2012 Share Option Scheme or any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the refreshed 2012 Scheme Mandate Limit.
- (iii) The maximum number of Shares in respect of which options may be granted to grantees under the 2012 Share Option Scheme and other share option schemes of the Company shall not exceed 30% in nominal amount of the issued share capital of the Company from time to time.
- (iv) As at 18 June 2020, 262,687,006 Shares were available for grant under the 2012 Share Option Scheme and the total number of option shares granted but not yet exercised under this scheme was 4,295,000 Shares, which represented 8.47% and 0.14% respectively of the total issued share capital of the Company at that date.

(d) **Maximum Entitlement of Each Participant**

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

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

(e) **Option Period**

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

(f) **Minimum Period for Which an Option Must Be Held Before It Can Be Exercised**

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

(g) **Consideration on Acceptance of the Option**

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

Share Options (continued)

Share Option Schemes (continued)

- 2012 Share Option Scheme (continued)

(h) **Basis of Determining the Subscription Price**

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

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

(i) **Remaining Life of the 2012 Share Option Scheme**

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

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

Name	Date of grant	Subscription price per Share (HK\$)	Closing price of the Shares immediately before the date on which the options were granted (HK\$)	Period during which rights exercisable	Number of Share Options				
					Outstanding as at 1 April 2019	Granted during the year	Exercised during the year	*Lapsed during the year	Outstanding as at 31 March 2020
Directors									
Ms KWOK Sze Wai Melody	21 Jun 2013	8.07	7.73	21 Jun 2016 to 20 Jun 2023	50,000	-	-	-	50,000
Ms LEE Yun Chun Marie-Christine	13 Apr 2018	4.65	4.33	13 Apr 2020 to 12 Apr 2028	100,000	-	-	-	100,000
Ms KI Man Fung Leonie	13 Apr 2018	4.65	4.33	13 Apr 2020 to 12 Apr 2028	100,000	-	-	-	100,000
Mr TAN Wee Seng	13 Apr 2018	4.65	4.33	13 Apr 2020 to 12 Apr 2028	100,000	-	-	-	100,000
Employees									
	21 Jun 2013	8.07	7.73	21 Jun 2016 to 20 Jun 2023 ⁽¹⁾	4,602,000	-	-	(377,000)	4,225,000
				21 Jun 2016 to 20 Jun 2023 ⁽²⁾	50,000	-	-	-	50,000
				21 Jun 2016 to 20 Jun 2023 ⁽³⁾	20,000	-	-	-	20,000
				21 Jun 2016 to 20 Jun 2023 ⁽⁴⁾	100,000	-	-	-	100,000
				21 Jun 2016 to 20 Jun 2023 ⁽⁵⁾	50,000	-	-	-	50,000
				21 Jun 2016 to 20 Jun 2023 ⁽⁶⁾	20,000	-	-	-	20,000
				21 Jun 2016 to 20 Jun 2023 ⁽⁷⁾	120,000	-	-	-	120,000
	28 Jun 2019	2.24	2.28	3 Jul 2019 to 27 Jun 2029	-	3,000,000	-	(3,000,000)	-
				3 Jul 2020 to 27 Jun 2029	-	3,000,000	-	(3,000,000)	-
				3 Jul 2021 to 27 Jun 2029	-	4,000,000	-	(4,000,000)	-
Others									
Ms TAM Wai Chu Maria*	13 Apr 2018	4.65	4.33	13 Apr 2020 to 12 Apr 2028	100,000	-	-	(100,000)	-
					5,412,000	10,000,000	-	(10,477,000)	4,935,000

* There are no share options cancelled during the period.

* Ms TAM Wai Chu Maria was a director of the Company until conclusion of the AGM held on 2 September 2019.

Share Options (continued)

Share Option Schemes (continued)

- 2012 Share Option Scheme (continued)

Notes:

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

The fair values of the share options granted during the period was determined using the binomial lattice model, prepared by Roma Appraisals Limited, were listed below:

Date of grant	Number of options granted	Period during which rights exercisable	Fair value per Share Option (HK\$)
28 Jun 2019	10,000,000	3,000,000 share options may be exercised from 3 Jul 2019 to 27 Jun 2029	0.46
		3,000,000 share options may be exercised from 3 Jul 2020 to 27 Jun 2029	0.50
		4,000,000 share options may be exercised from 3 Jul 2021 to 27 Jun 2029	0.52

The significant inputs into the model were share price of HK\$2.24 at the grant date, subscription price of HK\$2.24, volatility of 40.07%, dividend yields of 9.42%, an expected option life of around 10 years and an annual risk-free interest rate of 1.46%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last 10 years. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

Share Award Scheme

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

As at 31 March 2020, a total of 6,302,000 awarded Shares had been granted pursuant to the Share Award Scheme, out of which 790,000 awarded Shares remained unvested. During the year, a total of 155,000 awarded Shares lapsed and remained part of the trust fund under the Share Award Scheme. A summary of the Share Award Scheme is set out below:

(a) Purpose

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

(b) Administration

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

Share Award Scheme (continued)

(c) Duration

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

(d) Maximum Limit

The maximum number of Shares which may be granted under the Share Award Scheme shall not exceed 5% of the total issued Shares from time to time. The maximum number of Shares which may be awarded to a selected employee under the Share Award Scheme within a period of 12 months shall not exceed 1% of the total issued Shares from time to time.

(e) Operation

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

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

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

(f) Vesting and Lapse

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

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

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

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

Share Award Scheme (continued)

(g) Voting Rights

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

(h) Termination

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

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

Name	Date of award	Average fair value per Share (HK\$)	Vesting period*	Number of awarded Shares				
				Outstanding as at 1 April 2019	Awarded during the year	Vested during the year	Lapsed during the year	Outstanding as at 31 March 2020
Directors								
Dr LOOK Guy	21 Jun 2019	2.25	21 Jun 2019 to 30 Jun 2020	–	150,000	(100,000)	–	50,000
Ms KWOK Sze Wai Melody	21 Jun 2019	2.25	21 Jun 2019 to 31 Mar 2020	–	30,000	(30,000)	–	–
Employees								
	31 Jul 2017	2.87	31 Jul 2017 to 31 Mar 2020	110,000	–	(95,000)	(15,000)	–
	30 Nov 2017	3.01	30 Nov 2017 to 21 Aug 2020	50,000	–	–	(50,000)	–
	29 Jun 2018	4.98	29 Jun 2018 to 23 May 2021	250,000	–	(110,000)	–	140,000
	21 Jun 2019	2.25	21 Jun 2019 to 30 Jun 2022	–	570,000	(80,000)	(90,000)	400,000
	30 Sep 2019	1.74	30 Sep 2019 to 26 Mar 2022	–	200,000	–	–	200,000
Associates of Directors								
	29 Jul 2016	3.38	29 Jul 2016 to 29 Jul 2019	25,000	–	(25,000)	–	–
	21 Jun 2019	2.25	21 Jun 2019 to 31 Mar 2020	–	30,000	(30,000)	–	–
				435,000	980,000	(470,000)	(155,000)	790,000

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

Pre-emptive Rights

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

Buy-back, Sale or Redemption of Shares

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

Subsidiaries

Details of the Company's principal subsidiaries as at 31 March 2020 are set out in Note 30 to the consolidated financial statements.

Capitalised Interest

No interest was capitalised by the Group during the year (2019: nil).

Distributable Reserves

As at 31 March 2020, the reserves of the Company available for distribution amounted to HK\$1,809,899,000 (2019: HK\$1,834,554,000).

Donations

The Group made donations during the year totalling HK\$2,188,000 (2019: HK\$4,960,000).

Directors

The Directors who held office during the year were:

Executive Directors

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

- date of appointment: 3 December 1996*
- date of last re-election in AGM as a director: 3 September 2018

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

- date of appointment: 3 December 1996*
- date of last re-election in AGM as a director: 3 September 2018

Dr LOOK Guy (CFO)

- date of appointment: 10 September 2002*
- date of last re-election in AGM as a director: 2 September 2019

Ms KWOK Sze Wai Melody

- date of appointment: 2 September 2019*
- will stand for re-election at the next AGM

Non-executive Director

Ms LEE Yun Chun Marie-Christine

- date of appointment: 26 February 2013
- date of last re-election in AGM as a director: 29 August 2017
- term of directorship: three years commencing on 22 August 2019*

Independent Non-executive Directors

Ms KI Man Fung Leonie, *GBS, SBS, JP*

- date of appointment: 15 December 2006
- date of last re-election in AGM as a director: 3 September 2018
- term of directorship: three years commencing on 15 December 2018*

Mr TAN Wee Seng

- date of appointment: 11 March 2010
- date of last re-election in AGM as a director: 2 September 2019
- term of directorship: three years commencing on 26 August 2019*

Mr CHAN Hiu Fung Nicholas, *MH*

- date of appointment: 2 September 2019
- term of directorship: until the Company's next AGM and will stand for re-election then*

Retired Director

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

- date of appointment: 24 June 2004
- date of retirement: 2 September 2019

In accordance with Article 99 of the articles of association of the Company, Ms KWOK Sze Wai Melody and Mr CHAN Hiu Fung Nicholas, who were appointed by the Board as additional directors on 2 September 2019, may hold office only until the first AGM after their appointment. Both are eligible and will stand for re-election by the shareholders at the forthcoming AGM to be held on 27 August 2020. Pursuant to Article 116 of the articles of association of the Company, Dr KWOK Siu Ming Simon, Dr KWOK LAW Kwai Chun Eleanor and Ms LEE Yun Chun Marie-Christine will retire by rotation at the forthcoming AGM and all being eligible will offer themselves for re-election.

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

Confirmation of Independence from INEDs

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

Directors' Service Contracts

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

Contracts of Significance

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

Indemnification of Directors

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

Biographical Details of Directors and Senior Management

The updated biographical information of the Directors and senior management are set out on pages 54 to 60 of this Annual Report.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 March 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code are set out below:

(I) Long position in the Shares, Underlying Shares and Debentures of the Company

Name of Director	Number of Shares in the Company					Approximate percentage of the Shares in issue ⁽¹⁾
	Personal interests	Family interests	Corporate interests	Derivatives interests	Total interests	
Dr KWOK Siu Ming Simon	40,728,000	–	1,946,734,297 ⁽²⁾	–	1,987,462,297	64.0458%
Dr KWOK LAW Kwai Chun Eleanor	–	40,728,000	1,946,734,297 ⁽²⁾	–	1,987,462,297	64.0458%
Dr LOOK Guy	400,000	–	–	22,195,988 ⁽³⁾	22,595,988	0.7282%
Ms KWOK Sze Wai Melody	110,000	6,000	–	170,000 ⁽⁴⁾	286,000	0.0092%
Ms LEE Yun Chun Marie-Christine	–	–	–	100,000 ⁽⁵⁾	100,000	0.0032%
Ms KI Man Fung Leonie	–	–	–	100,000 ⁽⁵⁾	100,000	0.0032%
Mr TAN Wee Seng	–	–	–	100,000 ⁽⁵⁾	100,000	0.0032%

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures (continued)

(I) Long position in the Shares, Underlying Shares and Debentures of the Company (continued)

Notes:

- (1) Based on 3,103,189,458 Shares in issue as at 31 March 2020.
- (2) These Shares are held as to 1,506,926,594 Shares by Sunrise Height Incorporated, as to 438,407,703 Shares by Green Ravine Limited and as to 1,400,000 Shares by Million Fidelity International Limited. All these companies are owned as to 50% each by Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor.
- (3) Details of Dr LOOK Guy's derivatives interests in the shares of the Company for the year ended 31 March 2020 are disclosed in the share options and awarded shares sections on pages 148 & 154 of this report.
- (4) Details of Ms KWOK Sze Wai Melody's derivatives interests in the shares of the Company for the year ended 31 March 2020 are disclosed in the share options and awarded shares sections on pages 148, 151 & 154 of this report.
- (5) Details of the derivatives interests in the shares of the Company of the non-executive directors (including INEDs) for the year ended 31 March 2020 are disclosed in the share options section on page 151 of this report.

(II) Long Position in the Shares, Underlying Shares and Debentures of Associated Corporations

Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor are each taken to be interested in all the issued non-voting deferred shares (the "Deferred Shares") of Base Sun Investment Limited ("Base Sun"), Matford Trading Limited ("Matford"), Sa Sa Cosmetic Company Limited and Sa Sa Investment (HK) Limited, all of which are wholly-owned subsidiaries of the Company. Details of interests in the Deferred Shares as at 31 March 2020 are set out below:

Dr KWOK Siu Ming Simon

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

Dr KWOK LAW Kwai Chun Eleanor

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

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures (continued)

(II) Long Position in the Shares, Underlying Shares and Debentures of Associated Corporations (continued)

Notes:

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

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

Directors' Benefits from Rights to Acquire Shares or Debentures

Save as disclosed under the share options and awarded shares sections on pages 148, 151 and 154, at no time during the year was the Company or its subsidiaries, a party to any arrangements which enabled the Directors (including their spouses or children under 18 years of age), to acquire benefits by means of acquisition of shares in or debenture of the Company or any other body corporate.

Interests and Short Positions in Shares and Underlying Shares of Substantial Shareholders

As at 31 March 2020, Shareholders, other than a director or chief executive of the Company, who had interests and short positions in the Shares and underlying Shares of the Company which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO are as follows:

Long Position of Substantial Shareholders in the Shares

Name of company	Capacity	No. of Shares held	Approximate percentage shareholding ⁽¹⁾
Sunrise Height Incorporated ⁽²⁾	Beneficial owner	1,506,926,594	48.56%
Green Ravine Limited ⁽²⁾	Beneficial owner	438,407,703	14.13%

Notes:

- (1) Based on 3,103,189,458 Shares in issue as at 31 March 2020.
- (2) Both Sunrise Height Incorporated and Green Ravine Limited are owned as to 50% each by Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor.

Interests and Short Positions in Shares and Underlying Shares of Other Persons

As at 31 March 2020, the Company has not been notified of any persons (other than the directors or chief executives or substantial shareholders of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register to be kept under Section 336 of the SFO.

Management Contracts

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

Related Party Transaction

The rental expenses disclosed in Note 29 to the consolidated financial statements do not constitute discloseable connected transaction under the Listing Rules.

Connected Transactions

During the year, there were no connected transactions or continuing connected transactions that were not fully exempted from shareholders' approval, annual review and all disclosure requirements under the Listing Rules.

Sufficiency of Public Float

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

Auditor

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

On behalf of the Board

KWOK Siu Ming Simon

Chairman and CEO

Hong Kong, 18 June 2020

Independent Auditor's Report



羅兵咸永道

To the Shareholders of Sa Sa International Holdings Limited

(incorporated in Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Sa Sa International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 165 to 237, which comprise:

- the consolidated statement of financial position as at 31 March 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

- Impairment of retail store assets
- Provision for inventory

Key Audit Matters	How our audit addressed the Key Audit Matters
<p>Impairment of retail store assets</p> <p>Refer to Notes 13 and 14 to the consolidated financial statements</p> <p>The Group had HK\$281.5 million and HK\$761.1 million of property, plant and equipment and right-of-use assets as at 31 March 2020 respectively, of which approximately HK\$79.5 million and HK\$619.3 million were attributable to its retail stores respectively. The carrying amount of the retail store assets is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.</p> <p>Management regards each individual retail store as a separately identifiable cash-generating unit and monitors their financial performance for the existence of impairment indicators. Given the potential adverse impact on the performance of the Group's retail stores as a result of the COVID-19 pandemic, management performed impairment assessments for all the retail stores in Hong Kong and Macau SARs market.</p> <p>As a result of the impairment assessments, an impairment loss of right-of-use assets and property, plant and equipment of HK\$270.5 million has been recognised in the consolidated income statement for the year which is mainly related to Hong Kong and Macau SARs market. The recoverable amount of the assets of the retail stores is determined by value-in-use calculations using discounted cash flow projections based on the financial forecasts approved by management covering the remaining tenure of the lease, with major assumptions such as percentage change in revenue (which is dependent on the timing of easing of quarantine restrictions at the borders and the recovery of Mainland tourist arrivals) and percentage change of running cost (which is dependent on successfulness of the Group's cost saving measures) and gross profit margin.</p> <p>We focused on this area because significant estimation and judgment were involved in determining the recoverable amounts of the relevant retail store assets.</p>	<p>We evaluated and tested the impairment assessment of the property, plant and equipment and right-of-use assets of the retail stores by performing the following procedures:</p> <ul style="list-style-type: none">– enquired of management on their basis of identifying impairment indicators and challenged the judgments made in the identification of impairment indicators;– compared the forecasted sales performance and estimated running costs to the approved business plan;– enquired of management in relation to key assumptions in their business plan and evaluated the key assumptions (such as percentage change in revenue and running cost and gross profit margin) applied by comparing them to historical information and our understanding of latest market information and conditions;– enquired of management about the basis of their estimation of the timing of easing of quarantine restrictions at the border and the recovery rate of Mainland tourist and assessed the reasonableness of the estimation with information available as of the year-end date;– enquired of management about the details and feasibility of their cost saving measures and assessed the reasonableness of the estimation of percentage change of running cost;– recomputed the impairment loss calculation; and– evaluated the sensitivity analysis to ascertain the extent of change in the key assumptions either individually or collectively that would result in the retail store assets being impaired and also considered the likelihood of such a change in the key assumptions arising. <p>Based on our work performed, we found the impairment of retail store assets made by management to be supported by available evidence.</p>

Key Audit Matters

How our audit addressed the Key Audit Matters

Provision for inventory

Refer to Note 17 to the consolidated financial statements

The Group had net inventories of HK\$1,005.9 million as at 31 March 2020, which represented approximately 30.8% of the Group's total assets.

The Group is engaged in the retailing and wholesaling of cosmetic products and is subject to changing market trends and competitor actions. In current year, the retail operation was also adversely affected by the recent outbreak of COVID-19 pandemic since late January 2020. Management's judgment is required for assessing the appropriate level of inventory provision in light of the current challenging retail environment.

The Group estimates the provision for inventory based on the inventory turnover days and sales performance of individual stock keeping units ("SKU") and makes specific provision for near-expiry and slow-moving inventory by SKU, taking into consideration of the recent market conditions under the impact of COVID-19 pandemic, sales strategy, goods return arrangement with suppliers, and marketability of inventories. The Group also estimates the shrinkage provision with reference to the level of inventory loss in the prior years.

We focused on this area because of the magnitude of the inventories and the estimation of the net realisable value of inventories involved a high level of management judgment.

We evaluated management's basis for the inventory provision and evaluated the outcome of management's estimations, analysis made by management and methodology applied to identify slow moving and obsolete SKUs.

We evaluated the projected sales estimated by management by discussing with management on the latest market trend, the Group's sales strategy, goods return arrangement with suppliers, and the future estimated sales in consideration of various factors, such as historical sales performance, marketability of inventories and the length of time under which the negative impact of COVID-19 pandemic would last.

We evaluated the estimates made by management by comparing the level of inventories written-off during the year to the provision made in prior year. We also compared the shrinkage provision with the actual inventory loss for the past year.

We performed a recalculation, on a sample basis, of the inventory provision made on individual SKUs.

Based on the procedures performed, we consider management's judgment and estimates in the assessment of the net realisable value of inventory, to be supported by the available evidence.

Other Information

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

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

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

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

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

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 18 June 2020

Consolidated Income Statement

For the year ended 31 March 2020

	Note	2020 HK\$' 000	2019 HK\$' 000 Restated
Continuing operations			
Turnover	2	5,717,283	8,156,597
Cost of sales	5	(3,634,818)	(4,839,967)
Gross profit		2,082,465	3,316,630
Other income	2	64,373	95,749
Selling and distribution costs	5	(2,151,949)	(2,542,076)
Administrative expenses	5	(278,868)	(309,155)
Impairment of right-of-use assets and property, plant and equipment	13, 14	(270,455)	(5,969)
Other gains – net	4	1,009	6,560
Operating (loss)/profit		(553,425)	561,739
Finance income	8	17,447	20,558
Finance costs	8	(26,020)	–
(Loss)/profit before income tax		(561,998)	582,297
Income tax credit/(expense)	9	86,916	(91,380)
(Loss)/profit for the year from continuing operations		(475,082)	490,917
Loss for the year from discontinued operations	10	(40,854)	(20,165)
(Loss)/profit for the year attributable to owners of the Company		(515,936)	470,752
(Loss)/earnings per share for (loss)/profit from continuing operations attributable to owners of the Company for the year (expressed in HK cents per share)			
Basic	11	(15.4)	16.1
Diluted	11	(15.4)	16.1
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company for the year (expressed in HK cents per share)			
Basic	11	(16.7)	15.4
Diluted	11	(16.7)	15.4

The notes and disclosures on pages 172 to 237 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000 Restated
(Loss)/profit for the year		(515,936)	470,752
Other comprehensive loss			
<u>Item that will not be reclassified subsequently to profit or loss</u>			
Actuarial gain/(loss) on retirement benefit obligations	24 (b)	1,992	(2,016)
<u>Items that may be reclassified to profit or loss</u>			
Cash flow hedges, net of tax		61	(472)
Currency translation differences of foreign subsidiaries recorded in translation reserve		(21,732)	(20,851)
Other comprehensive loss for the year, net of tax		(19,679)	(23,339)
Total comprehensive (loss)/income for the year attributable to owners of the Company		(535,615)	447,413
Total comprehensive (loss)/income for the year attributable to owners of the Company arises from:			
Continuing operations		(489,769)	472,469
Discontinued operations	10	(45,846)	(25,056)
		(535,615)	447,413

The notes and disclosures on pages 172 to 237 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2020

	Note	2020 HK\$' 000	2019 HK\$' 000
ASSETS			
Non-current assets			
Property, plant and equipment	13	281,531	351,100
Right-of-use assets	14	761,107	–
Rental deposits, prepayments and other assets	15	118,120	162,225
Deferred tax assets	16	115,146	4,808
		1,275,904	518,133
Current assets			
Inventories	17	1,005,900	1,413,726
Trade receivables	18	60,617	112,701
Other receivables, deposits and prepayments	19	276,237	221,274
Time deposits	20	82,122	589,512
Cash and cash equivalents	20	559,381	551,134
Income tax recoverable		7,026	–
		1,991,283	2,888,347
LIABILITIES			
Current liabilities			
Trade payables	21	219,246	471,499
Other payables and accruals	22	235,057	328,851
Lease liabilities	14	574,006	–
Income tax payable		35,066	63,190
		1,063,375	863,540
Net current assets		927,908	2,024,807
Total assets less current liabilities		2,203,812	2,542,940
Non-current liabilities			
Other payables		32,674	50,475
Lease liabilities	14	505,064	–
Retirement benefit obligations	24	1,710	5,643
Deferred tax liabilities	16	52	214
		539,500	56,332
Net assets		1,664,312	2,486,608

Consolidated Statement of Financial Position

As at 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
EQUITY			
Capital and reserves			
Share capital	25	310,319	309,560
Reserves	26	1,353,993	2,177,048
Total equity		1,664,312	2,486,608

On behalf of the Board

KWOK Siu Ming Simon
Chairman and CEO

KWOK LAW Kwai Chun Eleanor
Vice-chairman

The notes and disclosures on pages 172 to 237 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Note	Attributable to owners of the Company		
		Share capital HK\$' 000	Reserves HK\$' 000	Total HK\$' 000
Balance at 1 April 2019		309,560	2,177,048	2,486,608
Change in accounting policy (Note 2(ii))		–	(24,326)	(24,326)
Restated total equity as 1 April 2019		309,560	2,152,722	2,462,282
Loss for the year		–	(515,936)	(515,936)
Other comprehensive loss:				
Actuarial gain on retirement benefit obligations		–	1,992	1,992
Cash flow hedges, net of tax		–	61	61
Currency translation differences of foreign subsidiaries recorded in translation reserve		–	(21,732)	(21,732)
Total comprehensive loss for the year		–	(535,615)	(535,615)
Share award scheme:				
Value of employee services	25 & 26	–	1,603	1,603
Employee share option scheme:				
Value of employee services	25 & 26	–	1,536	1,536
Issue of shares upon scrip dividend of 2018/19 final dividend	25 & 26	759	12,063	12,822
Unclaimed dividends forfeited	26	–	288	288
Dividend:				
2018/19 final dividend	26	–	(278,604)	(278,604)
Total transactions with owners, recognised directly in equity		759	(263,114)	(262,355)
Balance at 31 March 2020		310,319	1,353,993	1,664,312

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Note	Attributable to owners of the Company		
		Share capital HK\$'000	Reserves HK\$'000	Total HK\$'000
Balance at 1 April 2018		303,885	2,178,955	2,482,840
Profit for the year		–	470,752	470,752
Other comprehensive loss:				
Actuarial loss on retirement benefit obligations		–	(2,016)	(2,016)
Cash flow hedges, net of tax		–	(472)	(472)
Currency translation differences of foreign subsidiaries recorded in translation reserve		–	(20,851)	(20,851)
Total comprehensive income for the year		–	447,413	447,413
Share award scheme:				
Shares purchased for share award scheme	25 & 26	–	(9,618)	(9,618)
Value of employee services	25 & 26	–	1,704	1,704
Employee share option scheme:				
Value of employee services	25 & 26	–	300	300
Proceeds from shares issued upon exercise of share options	25 & 26	118	5,586	5,704
Issue of shares upon scrip dividend of 2017/18 final and special dividends	25 & 26	5,216	184,646	189,862
Issue of shares upon scrip dividend of 2018/19 interim dividend	25 & 26	341	9,884	10,225
Unclaimed dividends forfeited	26	–	236	236
Dividends:				
2017/18 final and special dividends	26	–	(425,604)	(425,604)
2018/19 interim dividend	26	–	(216,454)	(216,454)
Total transactions with owners, recognised directly in equity		5,675	(449,320)	(443,645)
Balance at 31 March 2019		309,560	2,177,048	2,486,608

The notes and disclosures on pages 172 to 237 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Note	2020 HK\$' 000	2019 HK\$' 000
Cash flows from operating activities			
Cash generated from operations	27(a)	702,937	435,071
Hong Kong profits tax paid		(23,377)	(57,732)
Overseas tax paid		(30,993)	(31,106)
Net cash generated from operating activities		648,567	346,233
Cash flows from investing activities			
Purchase of property, plant and equipment		(111,934)	(133,580)
Payment for acquisition of right-of-use assets		(5,347)	–
Proceeds from disposal of property, plant and equipment	27(b)	331	448
Decrease in time deposits		507,390	326,290
Interest received		16,555	18,179
Net cash generated from investing activities		406,995	211,337
Cash flows from financing activities			
Purchase of shares for share award scheme	25(b)	–	(9,618)
Payment for lease liabilities (including interest)	14(b)	(774,472)	–
Unclaimed dividends forfeited		288	236
Proceeds from shares issued upon exercise of share options		–	5,704
Cash dividends paid to Company's shareholders		(265,782)	(441,971)
Net cash used in financing activities		(1,039,966)	(445,649)
Net increase in cash and cash equivalents		15,596	111,921
Cash and cash equivalents at beginning of year		551,134	449,558
Effect of foreign exchange rate changes		(7,349)	(10,345)
Cash and cash equivalents at end of year	20	559,381	551,134

The notes and disclosures on pages 172 to 237 are an integral part of these consolidated financial statements.

Significant Accounting Policies

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

1 Basis of preparation

Sa Sa International Holdings Limited (the "Company") and its subsidiaries are collectively referred as the Group in the consolidated financial statements. The consolidated financial statements 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in "Critical Accounting Estimates and Judgements" on page 186.

The presentation of comparative information in respect of the consolidated statement of comprehensive income for the year ended 31 March 2020 has been restated in order to disclose the discontinued operations separately from continuing operations. Further details of financial information of the discontinued operations are set out in Note 10.

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 2019 and were early adopted in prior years

- Hong Kong Accounting Standard ("HKAS") 19 (Amendment), "Plan Amendment, Curtailment or Settlement"
- HKAS 28 (Amendment), "Long-term Interests in Associates and Joint Ventures"
- HK (IFRIC) Interpretation 23, "Uncertainty over Income Tax Treatments"

(ii) New standard and amendment to standard mandatory for the first time for the financial year beginning 1 April 2019 and were not early adopted in prior years

HKFRS 9 (Amendments), "Prepayment Features with Negative Compensation"

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. The amendment to HKFRS 9 did not have any material impact on the Group's accounting policies and did not require retrospective adjustments.

HKFRS 16, "Leases"

The Group has adopted HKFRS 16 retrospectively from 1 April 2019, as permitted under the specific transitional provisions in the standard. The reclassification and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 April 2019.

2 Changes in accounting policies and disclosures (continued)

(ii) New standard and amendment to standard mandatory for the first time for the financial year beginning 1 April 2019 and were not early adopted in prior years (continued)

HKFRS 16, "Leases" (continued)

(a) Adjustments recognised on adoption of HKFRS 16

The following table shows the adjustments for change in accounting policy recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

	31 March 2019		1 April 2019
	Before adoption	Adoption of HKFRS 16	After adoption
	HK\$' 000	HK\$' 000	HK\$' 000
Consolidated statement of financial position (extract)			
Non-current assets			
Right-of-use assets	–	1,622,028	1,622,028
Deferred tax assets	4,808	4,691	9,499
Current liabilities			
Other payables and accruals	(328,851)	20,074	(308,777)
Lease liabilities	–	(687,427)	(687,427)
Non-current liabilities			
Lease liabilities	–	(983,692)	(983,692)
Equity			
Reserves	2,177,048	(24,326)	2,152,722

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17, "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The lessee's weighted average incremental borrowing rate applied to the lease liabilities on 1 April 2019 was at 1.7%.

2 Changes in accounting policies and disclosures (continued)

(ii) New standard and amendment to standard mandatory for the first time for the financial year beginning 1 April 2019 and were not early adopted in prior years (continued)

HKFRS 16, "Leases" (continued)

(a) Adjustments recognised on adoption of HKFRS 16 (continued)

	HK\$'000
Operating lease commitments disclosed as at 31 March 2019	1,453,653
Less: discounted using the lessee's incremental borrowing rate at the date of initial application	(130,770)
Less: short-term leases recognised on a straight-line basis as expense	(14,071)
Add: adjustments as a result of a different treatment of extension and termination options	362,307
Leases liabilities recognised as 1 April 2019	1,671,119
Of which are:	
Current lease liabilities	687,427
Non-current lease liabilities	983,692
	1,671,119

The associated right-of-use assets for properties leases were measured on a retrospective basis as if the new rules had always been applied. The associated right-of-use assets for property leases, which had been subleased out and classified as finance leases, were recognised as receivables and measured at the amount equal to the net investment calculated with the implicated interest rates in the finance leases on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	1 April 2019 HK\$'000
Properties leases	1,622,028
Leasehold land (Note)	94,322
	1,716,350

Note:

Leasehold land previously classified as finance lease as at 31 March 2019 is reclassified as right-of-use assets as of 1 April 2019. The Group presents the leasehold land separately from the right-of-use assets and contains within property, plant and equipment.

Lease receivables for sub-lease arrangement classified as finance leases are recognised since the adoption of HKFRS 16 within "rental deposits, prepayments and other assets" under non-current assets and "other receivables, deposits and prepayments" under current assets.

2 Changes in accounting policies and disclosures (continued)

(ii) New standard and amendment to standard mandatory for the first time for the financial year beginning 1 April 2019 and were not early adopted in prior years (continued)

HKFRS 16, "Leases" (continued)

(a) Adjustments recognised on adoption of HKFRS 16 (continued)

(i) Impact on segment disclosures

Segment assets as at 31 March 2020 increased as a result of the change in the accounting policy. Right-of-use assets are now included in segment assets, whereas right-of-use assets were previously excluded from segment assets. The following segments were affected by the change in policy:

	Segment assets HK\$' 000
Hong Kong and Macau SARs	698,867
Mainland China	12,876
Malaysia	49,364
	761,107

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases within reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the use of recognition exemption to lease with a remaining lease term of less than 12 months at 1 April 2019;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date of the Group relied on its assessment made applying HKAS 17.

2 Changes in accounting policies and disclosures (continued)

(iii) The following amendments to standards have been issued but are not effective for the financial year beginning 1 April 2019 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)
- HKFRS 3 (Amendment), "Definition of Business" (effective for annual periods beginning on or after 1 April 2020)

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.

(iv) Early adoption of amendments to standards during the year ended 31 March 2020 where early adoption is permitted

- HKFRS 16 (Amendment), "COVID-19-Related Rent Concessions" (effective for annual periods beginning on or after 1 April 2021). The amendment provides lessees with exemption from assessing whether COVID-19-related rent concession is a lease modification and requires lessees that apply the exemption to account for COVID-19-related rent concession as if they were not lease modifications. In applying HKFRS 16 (Amendment) for the first time, the Group has applied the practical expedient and elected not to assess whether COVID-19-related rent concession is a lease modification. All of the COVID-19-related rent concessions amounted to HK\$29,031,000 has been credited to the income statement within "selling and distribution costs".
- HKFRS 9, HKAS 39 and HKFRS 7 (Amendment), "Interest Rate Benchmark Reform" (effective for annual periods beginning on or after 1 April 2020). The amendment provides temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by Interbank Offered Rate (IBOR) reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. Any hedge ineffectiveness should continue to be recorded in the income statement under both HKAS 39 and HKFRS 9. The early adoption of HKFRS 9, HKAS 39 and HKFRS 7 (Amendment) does not have any impact to the Group as the Group does not enter any interest rate hedge arrangement as of and for the year ended 31 March 2020.

3 Consolidation

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

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

4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the financial statements of the Company exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

5 Impairment of non-financial assets

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

6 Financial assets

(i) Classification

The Group classifies its financial assets in those to be measured at subsequently at fair value (either through other comprehensive income or profit or loss) and those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

6 Financial assets (continued)

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in income statement.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in income statement and presented in "other gains – net" together with foreign exchange gains and losses.

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires ECL to be recognised from initial recognition of the receivables. See Note 18 for further details.

7 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

7 Foreign currency translation (continued)

(iii) Group companies

The results and financial positions of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

8 Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefit obligations

The Group operates various post-employment schemes, including defined contribution and defined benefit retirement plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

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

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

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

8 Employee benefits (continued)

(ii) Retirement benefit obligations (continued)

Past-service costs are recognised immediately in income statement.

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

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

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

(iii) Long service payments

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

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

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

(iv) Bonus plan

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

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

(v) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange of these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits.

9 Share-based payment

(i) Equity-settled share-based payment transactions

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

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

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

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

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

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

(ii) Share-based payment transactions among group entities

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

(iii) Share held for share award scheme

When the Company's share are acquired from the market by the trust set up by the Company under the Share Award Scheme, the total consideration of shares acquired from the market (including any directly attributable incremental costs) is presented as "Shares held under the Share Award Scheme" and deducted from total equity. Upon vesting, the related costs of the vested shares for Share Award Scheme purchased from the market are credited to "Shares held under the Share Award Scheme", with a corresponding decrease in "Employee share-based compensation reserve" for Share Award Scheme.

10 Contingent liabilities

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

Financial Risk Management

1 Financial risk factors

The Group's activities expose it to a variety of financial risks including foreign exchange risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by management who identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating subsidiaries. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Foreign exchange risk

The Group operates in various countries and is exposed to foreign exchange risk against Hong Kong dollar arising from foreign exchange exposure. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operation.

Most of the assets, receipts and payments of the Group are either in Hong Kong dollar, US dollar, Euro or Renminbi. The Group minimises its foreign exchange exposure against purchase orders denominated in foreign currencies by entering into forward contracts with reputable financial institutions or at spot and maintain no material long position. The hedging policies are regularly reviewed by the Group.

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

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

(ii) Credit risk

The Group's credit risk is primarily attributable to deposits with banks and financial institutions, deposits and trade and other receivables with a maximum exposure equal to the carrying amounts of these financial instruments.

Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(a) Credit risk of deposits with banks and financial institutions

As at 31 March 2020, all bank balances and bank deposits are held at reputable financial institutions and there is no significant concentration risk to a single counterparty and there is no history of defaults from these counterparties. The expected credit losses (ECL) is close to zero.

1 Financial risk factors (continued)

(ii) Credit risk (continued)

(b) Credit risk of deposits and other receivables

Deposits and other receivables were mainly rental deposit and utilities and management fee deposits. The credit quality of deposits and other receivables has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. Given there is no history of defaults from these counterparties, the directors of the Company are of the opinion that the risk of default is not significant and does not expect any losses from non-performance by the counterparties. Therefore, ECL rate of the deposits and other receivables is assessed to be minimal.

(c) Credit risk of trade receivables

The Group performs periodic credit evaluations of its customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly reviewed. Sales to retail customers are settled in cash or using major credit cards. No material credit limits were exceeded during the reporting period, and management does not expect any material losses from non-performance by these counterparties.

Trade receivables are due within 90 days from the date of invoice. As at 31 March 2020, 74.8% (2019: 97.2%) of the total trade receivables were due within 90 days. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 18.

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables.

To measure the ECL, trade receivables have been grouped based on share credit risk characteristics and the day past due. The ECL rates are based on the past repayment history and the historical credit losses experience. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The ECL provided on a collective basis is insignificant as there was no history of material default from the trade receivables.

For trade receivables relating to accounts in which objective evidence that the debtor faces significant financial difficulties or enter liquidation, they are assessed individually for impairment allowance. Accordingly, individual provision of HK\$2,286,000 (2019: HK\$2,263,000) were made as at 31 March 2020.

Movements on the Group's provision for impairment of trade receivables are disclosed in Note 18.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

1 Financial risk factors (continued)

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and making available an adequate amount of committed credit facilities with staggered maturities to reduce refinancing risk in any year and to fund working capital, dividend payments, new investments and close out market positions if required. Based on the Group's steady cash inflow from operations, coupled with sufficient cash and bank balances and readily available banking facilities, and considering the potential impact of COVID-19 outbreak on the Group's operation, the Group has adequate liquidity and financial resources to meet the working capital requirements in the next financial year. As at 31 March 2020, the Group's financial liabilities were mainly trade payables and other payables amounting to HK\$374,993,000 (2019: HK\$634,296,000), which were substantially due within 3 months, and lease liabilities amounting to HK\$574,006,000 (2019: Nil) and HK\$505,064,000 (2019: Nil) were due within 12 months and over 12 months respectively. See Note 14 for the maturity analysis of lease liabilities.

(iv) Interest rate risk

The Group's interest rate risk resulted from timing differences in the repricing of interest-bearing assets or liabilities. Major interest-bearing assets of the Group are short-term bank deposits and time deposits, details of which have been disclosed in Note 20. As any reasonable changes in interest rate would not result in a significant change in the Group's results, no sensitivity analysis is presented for interest rate risk.

The Group monitors its interest rate risk through management of maturity profile and choice of fixed or floating interest rates.

2 Capital risk management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. The Group defines the capital of the Group as the total shareholders' equity.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity. As at 31 March 2020 and 2019, the Group had no borrowings, the gearing ratio is not applicable.

As at 31 March 2020, the Group maintained a net cash position of HK\$641,503,000 (2019: HK\$1,140,646,000).

3 Fair value estimation

The table below analyses the Group's financial assets and liabilities carried at fair value as at 31 March 2020 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

3 Fair value estimation (continued)

As at 31 March 2020

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Derivatives used for hedging				
– Forward foreign exchange contracts	–	–	–	–
Total assets	–	–	–	–
Liabilities				
Derivatives used for hedging				
– Forward foreign exchange contracts	–	19	–	19
Total liabilities	–	19	–	19

As at 31 March 2019

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Derivatives used for hedging				
– Forward foreign exchange contracts	–	16	–	16
Total assets	–	16	–	16
Liabilities				
Derivatives used for hedging				
– Forward foreign exchange contracts	–	130	–	130
Total liabilities	–	130	–	130

Forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market.

There was no movement for the transfer between each level of financial assets and liabilities during the years ended 31 March 2020 and 2019.

There were no changes in valuation techniques during the years ended 31 March 2020 and 2019.

Critical Accounting Estimates and Judgements

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

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

(i) Income taxes and deferred tax

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

As at 31 March 2020, the Group did not recognise deferred tax assets of HK\$63,420,000 (2019: HK\$68,299,000) in respect of tax losses and capital allowances amounting to HK\$270,828,000 (2019: HK\$295,096,000) and HK\$41,571,000 (2019: HK\$36,199,000) respectively that could be carried forward against future taxable income as the realisation of the related tax benefits through future taxable profit is not probable. Estimating the amount of deferred tax asset arising from tax losses requires a process that involves determining appropriate provisions for income tax expense, forecasting future year's taxable income and assessing our ability to utilise tax benefits through future earnings. In cases where the actual future profits generated are different from original estimates than expected, such differences will impact the recognition of deferred tax assets and income tax charges in the year in which such circumstances are changed.

(ii) Impairment of non-financial assets

The Group conducts impairment reviews of non-financial assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Determining whether an asset is impaired requires an estimation of the recoverable amount, which requires the Group to estimate the value-in-use which base on discounted future cash flows. Where the discounted actual future cash flows are less than expected, an impairment loss may arise. During the year, after reviewing the business environment as well as the Group's strategies and past performance of its cash-generating units, management concluded that there was impairment of right-of-use assets and property, plant and equipment total of HK\$270,455,000 (2019: HK\$5,969,000). Management believe that any reasonably possible changes in the assumptions used in the impairment reviews would not affect management's view on impairment at current year end.

(iii) Provision for inventory

The Group estimates the provision for inventory based on the inventory turnover days and sales performance of inventories and made specific provision for near-expiry and slow-moving inventories, taking into consideration of the recent market conditions under the impact of COVID-19 pandemic, sales strategy, goods return arrangement with suppliers, and marketability of inventories. The Group also estimates the shrinkage provision with reference to the level of inventory loss in prior years.

Provision for inventory is recorded where events or changes in circumstances indicate that the carrying cost of inventories will not be fully realised. The quantification of inventory provision requires the use of estimates and judgement. Where the outcomes are different from the original estimates, such differences will impact the carrying value of inventories and provisions for inventory in the years in which such estimates have been changed.

Notes to the Consolidated Financial Statements

1 General information

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

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

The Company has its listing on The Stock Exchange.

As at 31 March 2020, 48.56%, 14.13% and 0.04% of the total issued shares of the Company were owned by Sunrise Height Incorporated, Green Ravine Limited and Million Fidelity International Limited respectively, Sunrise Height Incorporated and Green Ravine Limited incorporated in the British Virgin Islands and Million Fidelity International Limited incorporated in Hong Kong SAR. These companies are owned 50.0% each by Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor, as being the ultimate controlling parties of the Company.

These consolidated financial statements are presented in thousands of Hong Kong dollar (HK\$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 18 June 2020.

2 Revenue and turnover

Accounting Policy

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the retail and wholesales of cosmetic products, stated net of value added taxes, returns, rebates and discounts.

Revenue is recognised when specific criteria have been met for the Group's activity described below:

Sale of goods – retail and e-commerce transactions

The Group sells cosmetic products through chain of retail stores and e-commerce platforms. Revenue from the sale of goods is recognised when a group entity sells and has delivered a product to the customer and the Group receives sales and acceptance confirmations, and there is no unfulfilled obligation that affect the customer's acceptance of the products. Payment of the transaction price is due immediately when the customer purchases the goods. The Group estimates the sales return provision based on accumulated experience and considers that no provision is recognised as the amount of returns are immaterial.

Sale of goods – wholesale

Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that affect the wholesaler's acceptance of the products.

The goods are often sold with sales discounts. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts, if any. No element of financing is deemed present.

Slide display rental income

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

2 Revenue and turnover (continued)

Accounting Policy (continued)

Customer loyalty programme

The Group operates a customer loyalty programme, where certain customers accumulate points for purchases made which entitle them to purchase goods for free or at a discount price. The customer loyalty program gives rise to a separate performance obligation because they provide a material right to the customer and allocates a portion of the transaction price to the loyalty credits awarded to customers based on the relative stand-alone selling price. Due to the outbreak of COVID-19, the expiry date of the outstanding awarded points as at 31 March 2020 was extended to 30 June 2020. A contract liability is recognised until the points are redeemed or expire, which is included in "other payables and accruals" on the consolidated statement of financial position.

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers the promised goods to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer the promised goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

The Group is principally engaged in the retailing and wholesaling of cosmetic products. Turnover represents the sales of goods to customers. An analysis of revenues recognised during the year is as follows:

	2020 HK\$'000	2019 HK\$'000 Restated
Turnover – revenue recognised under HKFRS 15		
Retail and wholesale	5,717,283	8,156,597
Other income – revenue recognised under other accounting standard		
Slide display rental income	64,373	65,166
Sub-lease income	–	30,583
	64,373	95,749
	5,781,656	8,252,346

3 Segment information

Accounting Policy

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

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

During the year ended 31 March 2020, the Group discontinued the business of retailing of cosmetic products in Singapore (Note 10) which was previously included in "all other segments"; the comparatives have been restated. Since "all other segments" refer to the market in Malaysia only, "all other segments" has been renamed to "Malaysia". The business reportable segments identified are Hong Kong and Macau SARs, Mainland China, E-commerce and Malaysia.

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

3 Segment information (continued)

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

	For the year ended 31 March 2020				
	Hong Kong & Macau SARs HK\$'000	Mainland China HK\$'000	E-commerce HK\$'000	Malaysia HK\$'000	Total HK\$'000
Turnover	4,739,382	243,013	344,671	390,217	5,717,283
Segment results	(413,559)	(37,987)	(39,736)	16,200	(475,082)
Other information					
Capital expenditure	71,300	4,488	8,299	6,907	90,994
Finance income	15,458	173	50	1,766	17,447
Finance costs	23,553	498	–	1,969	26,020
Income tax (credit)/expense	(80,954)	–	(11,126)	5,164	(86,916)
Depreciation of property, plant and equipment	93,360	4,142	2,591	17,187	117,280
Depreciation of right-of-use assets	698,918	10,510	–	39,412	748,840
Provision for slow moving inventories and shrinkage	84,026	7,162	3,257	2,691	97,136
Impairment of property, plant and equipment	22,162	2,003	–	351	24,516
Impairment of right-of-use assets	243,180	2,274	–	485	245,939

	For the year ended 31 March 2019				
	Hong Kong & Macau SARs HK\$'000	Mainland China HK\$'000	E-commerce HK\$'000	Malaysia HK\$'000 (Restated)	Total HK\$'000 (Restated)
Turnover	7,091,830	287,762	391,829	385,176	8,156,597
Segment results	512,230	(16,086)	(26,461)	21,234	490,917
Other information					
Capital expenditure	99,603	4,931	662	18,786	123,982
Finance income	18,570	209	80	1,699	20,558
Income tax expense/(credit)	93,199	–	(9,946)	8,127	91,380
Depreciation of property, plant and equipment	81,407	6,439	1,664	17,579	107,089
Provision for slow moving inventories and shrinkage	21,821	465	5,023	3,490	30,799
Impairment of property, plant and equipment	3,678	2,291	–	–	5,969

3 Segment information (continued)

	Hong Kong & Macau SARs HK\$'000	Mainland China HK\$'000	E-commerce HK\$'000	Malaysia HK\$'000 (Restated)	Total HK\$'000
At 31 March 2020					
Non-current assets	1,174,950	21,919	1,706	77,329	1,275,904
Current assets	1,540,945	124,153	95,195	184,455	1,944,748
Total segment assets					3,220,652
Discontinued operations					46,535
Total assets as per consolidated statement of financial position					3,267,187
At 31 March 2019					
Non-current assets	446,086	11,819	6,935	38,069	502,909
Current assets	2,365,696	137,686	115,493	180,717	2,799,592
Total segment assets					3,302,501
Discontinued operations					103,979
Total assets as per consolidated statement of financial position					3,406,480

4 Other gains – net

	Significant Accounting Policies No. 7	
	2020 HK\$'000	2019 HK\$'000 (Restated)
Net exchange gains	1,009	6,560

5 Expenses by nature

	2020 HK\$'000	2019 HK\$'000 Restated
Cost of inventories sold	3,537,682	4,809,168
Employee benefit expenses (including directors' emoluments) (Note 6)	964,624	1,120,646
Depreciation expenses		
– right-of-use assets (Note 14)	748,840	–
– property, plant and equipment (Note 13)	117,280	107,089
Building management fees, government rent and rates	102,425	103,623
Provision for slow moving inventories and shrinkage (Note 17)	97,136	30,799
Advertising and promotion expenses	75,711	110,514
Lease rentals in respect of land and buildings		
– lease rental for short-term leases	47,970	–
– contingent rent	37,402	46,462
– minimum lease payments	–	854,712
– rent concession related to COVID-19	(29,031)	–
Utilities and telecommunication	49,803	49,994
Transportation, storage and delivery charges	40,315	56,424
Repair and maintenance	35,268	47,614
Write-off of property, plant and equipment (Note 13)	9,712	991
Auditors' remuneration		
– audit services	3,289	3,409
– non-audit services	1,369	1,605
Donations	2,188	4,960
Sub-lease expenses	–	28,946
Others	223,652	314,242
	6,065,635	7,691,198
Representing:		
Cost of sales	3,634,818	4,839,967
Selling and distribution costs	2,151,949	2,542,076
Administrative expenses	278,868	309,155
	6,065,635	7,691,198

Note:

Rent concession related to COVID-19 amounted to HK\$29,031,000 has been included in selling and distribution costs.

6 Employee benefit expenses (including directors' emoluments)

	Significant Accounting Policies No. 8	
	2020 HK\$' 000	2019 HK\$' 000 Restated
Basic salaries, bonuses, housing allowances, other allowances and benefits-in-kind	924,595	1,068,603
Retirement benefit costs (Note 24(b))	42,782	45,540
Share-based payment (Note 25(c))	3,139	2,004
Directors' fees	1,285	1,337
(Reversal)/provision for unutilised annual leave	(7,177)	3,162
	964,624	1,120,646

7 Director and senior management emoluments

(a) Directors' emoluments

Directors' emoluments comprise payments to the Company's directors (including the five highest paid individuals in the Group) in connection with management of affairs of the Company and the Group. The non-executive director receives an annual director's fee of HK\$257,400 (2019: HK\$257,400) each. Considering the comparatively heavier workload and responsibility of Audit Committee, its Chairman and members will receive an additional annual remuneration amounted to HK\$150,000 and HK\$80,000 (2019: HK\$150,000 and HK\$80,000) respectively.

The aggregate amounts of emoluments payable to the directors of the Company during the year were as follows:

	2020 HK\$' 000	2019 HK\$' 000
Directors' fees	1,285	1,337
Basic salaries, housing allowances, other allowances and benefits-in-kind	7,524	8,728
Discretionary bonuses	530	454
Retirement benefit costs	213	350
Share-based payment	536	300
	10,088	11,169

7 Director and senior management emoluments (continued)

(a) Directors' emoluments (continued)

The directors' emoluments of the Company were as follows:

	Directors' fees HK\$' 000	Basic salaries, housing allowances, other allowances and benefits-in-kind HK\$' 000	Discretionary bonuses HK\$' 000	Retirement benefit costs HK\$' 000	Share-based payment (i) HK\$' 000	Total HK\$' 000
For the year ended 31 March 2020						
<u>Executive Directors</u>						
Dr KWOK Siu Ming Simon (iii)	-	2,345	238	-	-	2,583
Dr KWOK LAW Kwai Chun Eleanor	-	2,128	216	-	-	2,344
Dr LOOK Guy	-	2,688	-	188	310	3,186
Ms KWOK Sze Wai Melody (v)	-	363	76	25	67	531
<u>Non-executive Director</u>						
Ms LEE Yun Chun Marie-Christine	247	-	-	-	53	300
<u>Independent Non-executive Directors</u>						
Ms TAM Wai Chu Maria (iv)	143	-	-	-	-	143
Ms KI Man Fung Leonie	323	-	-	-	53	376
Mr TAN Wee Seng	390	-	-	-	53	443
Mr CHAN Hiu Fung Nicholas (v)	182	-	-	-	-	182
	1,285	7,524	530	213	536	10,088

7 Director and senior management emoluments (continued)

(a) Directors' emoluments (continued)

The directors' emoluments of the Company were as follows:

	Directors' fees	Basic salaries, housing allowances, other allowances and benefits-in-kind	Discretionary bonuses	Retirement benefit costs	Share-based payment (i) & (ii)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended 31 March 2019						
<u>Executive Directors</u>						
Dr KWOK Siu Ming Simon (iii)	–	2,858	238	–	–	3,096
Dr KWOK LAW Kwai Chun Eleanor	–	2,594	216	121	–	2,931
Dr LOOK Guy	–	3,276	–	229	–	3,505
<u>Non-executive Director</u>						
Ms LEE Yun Chun Marie-Christine	257	–	–	–	75	332
<u>Independent Non-executive Directors</u>						
Ms TAM Wai Chu Maria (iv)	337	–	–	–	75	412
Ms KI Man Fung Leonie	337	–	–	–	75	412
Mr TAN Wee Seng	406	–	–	–	75	481
	1,337	8,728	454	350	300	11,169

Notes:

- (i) Share-based payment represents amortisation to the income statement of the fair value of awarded shares and share options measured at the respective grant dates, regardless of whether the share options would be exercised or not.
- (ii) During the year ended 31 March 2019, 400,000 share options were granted to one non-executive director and three independent non-executive directors under the 2012 Share Option Scheme.
- (iii) Dr KWOK Siu Ming Simon is the Chief Executive Officer of the Company.
- (iv) Ms TAM Wai Chu Maria retired as an Independent Non-executive Director of the Company after the conclusion of the annual general meeting held on 2 September 2019.
- (v) Ms KWOK Sze Wai Melody and Mr CHAN Hiu Fung Nicholas were appointed as an Executive Director and an Independent Non-executive Director of the Company respectively after the conclusion of the annual general meeting held on 2 September 2019.

No compensation for loss of office has been paid to the directors for the years ended 31 March 2020 and 2019.

Except for one non-executive director and three independent non-executive directors who waived emoluments of HK\$10,000 (2019: Nil) and a range of HK\$14,000 to HK\$17,000 (2019: Nil) respectively, no other directors waived any emoluments in the years ended 31 March 2020 and 2019.

7 Director and senior management emoluments (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2019: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2019: two) individuals during the year were as follows:

	2020 HK\$'000	2019 HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	6,239	6,785
Share-based payment	1,377	–
Discretionary bonuses	191	185
Retirement benefit costs	167	174
	7,974	7,144

The emoluments of the individuals fell within the following bands:

Emoluments bands	Number of individuals	
	2020	2019
HK\$2,500,001 – HK\$3,000,000	1	1
HK\$4,500,001 – HK\$5,000,000	–	1
HK\$5,000,001 – HK\$5,500,000	1	–

(c) Senior management emoluments (excluding directors' emoluments)

The details of the senior management emoluments (excluding directors' emoluments) payable during the year were as follows:

	2020 HK\$'000	2019 HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	6,747	7,158
Share-based payment	554	963
Discretionary bonuses	594	581
Retirement benefit costs	384	407
	8,279	9,109

7 Director and senior management emoluments (continued)

(c) Senior management emoluments (excluding directors' emoluments) (continued)

The emoluments of the individuals fell within the following bands:

Emoluments bands	Number of individuals	
	2020	2019
HK\$1,500,001 – HK\$2,000,000	2	2
HK\$2,000,001 – HK\$2,500,000	1	–
HK\$2,500,001 – HK\$3,000,000	1	2
	4	4

8 Finance income and costs

Accounting Policy

Interest income is recognised on a time-proportion basis using the effective interest method.

The accounting policy of interest expenses on lease liabilities is disclosed in Note 14.

	2020 HK\$' 000	2019 HK\$' 000 Restated
Finance income from:		
Interest income on bank deposits	14,648	18,205
Others	2,799	2,353
	17,447	20,558
Finance costs from:		
Interest expenses on lease liabilities	26,020	–

9 Income tax (credit)/expense

Accounting Policy

The tax (credit)/expense for the year comprise current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax (credit)/charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Please refer to **Critical Accounting Estimates and Judgements (i)** for estimates and judgements on income tax.

9 Income tax (credit)/expense (continued)

Hong Kong profits tax has been provided for at the rate of 16.5% (2019: 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.

	2020 HK\$'000	2019 HK\$'000
Current tax:		
Hong Kong profits tax		
Current	4,967	62,580
Over-provision in previous years	(506)	(508)
Overseas taxation		
Current	14,960	28,992
(Over)/under-provision in previous years	(139)	158
Total current tax	19,282	91,222
Deferred tax (Note 16):		
Origination and reversal of temporary differences	(106,198)	158
Income tax (credit)/expense	(86,916)	91,380
Income tax (credit)/expense is attributable to:		
(Loss)/profit from continuing operations	(86,916)	91,380
Loss from discontinued operations	-	-
	(86,916)	91,380

The income tax (credit)/expense on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the profits rate of Hong Kong as follows:

	2020 HK\$'000	2019 HK\$'000
(Loss)/profit before income tax from continuing operations	(561,998)	582,297
Loss before income tax from discontinued operations	(40,854)	(20,165)
	(602,852)	562,132
Tax calculated at a taxation rate of 16.5% (2019: 16.5%)	(99,470)	92,752
Effect of different taxation rates in other countries (Note)	(1,712)	(6,616)
Expenses not deductible for income tax purposes	8,003	6,857
Income not subject to income tax	(2,917)	(4,813)
Unrecognised tax losses	9,825	3,550
Over-provision in previous years	(645)	(350)
Income tax (credit)/expense	(86,916)	91,380

Note:

The Group was subject to different tax jurisdictions mainly in Macau SAR, Malaysia, Mainland China and Singapore with tax rate ranged from 12% to 25% (2019: 12% to 25%).

10 Discontinued operations

Accounting Policy

A discontinued operation is a component of the Group's business, the operation and cash flow of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Where an operation is classified as discontinued, a single amount is presented in the statement of income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs of disposal, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

The breakdown of loss from discontinued operations are presented below:

	2020 HK\$' 000	2019 HK\$' 000
Singapore retail operation (Note (i))	(40,854)	(18,849)
Taiwan region retail operation (Note (ii))	–	(1,316)
	(40,854)	(20,165)

- (i) During the year ended 31 March 2020, the Group discontinued the business of retailing of cosmetic products in Singapore. The results of Singapore retail operation for the year ended 31 March 2020 and 2019 are presented below:

	2020 HK\$' 000	2019 HK\$' 000
Turnover	253,222	219,303
Other income and gains – net	184	853
Cost of sales and expenses	(294,260)	(239,005)
Loss before income tax	(40,854)	(18,849)
Income tax expense	–	–
Loss from discontinued operation	(40,854)	(18,849)
Currency translation differences of foreign subsidiaries recorded in translation reserve	(4,992)	(3,225)
Total comprehensive loss from discontinued operation	(45,846)	(22,074)

10 Discontinued operations (continued)

(i) (continued)

Loss for the year of Singapore retail operation has been arrived at after charging/(crediting):

	2020 HK\$' 000	2019 HK\$' 000
Write-off of property, plant and equipment (Note 13)	5,416	–
Depreciation of property, plant and equipment (Note 13)	3,713	4,196
Depreciation of right-of-use assets (Note 14)	33,471	–
(Reversal)/provision for slow moving inventories and shrinkage (Note 17)	(686)	3,257
Interest expenses on lease liabilities (Note 14)	822	–

The net cash flows of Singapore retail operation are as follow:

	2020 HK\$' 000	2019 HK\$' 000
Net cash generated from/(used in) operating activities	59,742	(14,397)
Net cash used in investing activities	(1,954)	(7,569)
Net cash (used in)/generated from financing activities	(39,858)	23,481
Net cash inflow	17,930	1,515

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

	2019 HK\$' 000
Turnover	13,259
Other income and gains – net	18
Cost of sales and expenses	(14,593)
Loss before income tax	(1,316)
Income tax expense	–
Loss from discontinued operation	(1,316)
Currency translation differences of foreign subsidiaries recorded in translation reserve	(1,666)
Total comprehensive loss from discontinued operation	(2,982)

The net cash flows of the Taiwan region retail operation are as follow:

	2019 HK\$' 000
Net cash used in operating activities	(1,268)
Net cash generated from investing activities	20
Net cash used in financing activities	(38,701)
Net cash outflow	(39,949)

11 (Loss)/earnings per share

From continuing operations

- (a) Basic (loss)/earnings per share from continuing operations is calculated by dividing the (loss)/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.

	2020 HK\$' 000	2019 HK\$' 000
(Loss)/profit from continuing operations attributable to owners of the Company	(475,082)	490,917
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the year (thousands)	3,096,414	3,060,494

- (b) For the year ended 31 March 2020, diluted loss per share from continuing operations equals to basic loss per share from continuing operations as the potential ordinary shares were not included in the calculation of diluted loss per share because they are anti-dilutive.

For the year ended 31 March 2019, 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.

	2020 HK\$' 000	2019 HK\$' 000
(Loss)/profit from continuing operations attributable to owners of the Company	(475,082)	490,917
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the year (thousands)	3,096,414	3,060,494
Adjustment for share options and awarded shares (thousands)	–	685
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,096,414	3,061,179

11 (Loss)/earnings per share (continued)

From continuing and discontinued operations

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

	2020 HK\$'000	2019 HK\$'000
(Loss)/profit from continuing operations attributable to owners of the Company	(475,082)	490,917
Loss from discontinued operations attributable to owners of the Company	(40,854)	(20,165)
(Loss)/profit for the purpose of basic and diluted (loss)/earnings per share from continuing and discontinued operations	(515,936)	470,752

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

From discontinued operations

The basic and diluted loss per share for the discontinued operations are 1.3 HK cents per share (2019: Basic and diluted loss of 0.7 HK cents per share).

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

	2020 HK\$'000	2019 HK\$'000
Loss attributable to owners of the Company from the discontinued operations	(40,854)	(20,165)
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the year (thousands)	3,096,414	3,060,494

During the year ended 31 March 2020 and 2019, 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.

12 Dividends

Accounting Policy

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

12 Dividends (continued)

	2020 HK\$'000	2019 HK\$'000
Interim, paid – Nil (2019: 7.0 HK cents) per share	–	216,454
Final, proposed – Nil (2019: 9.0 HK cents) per share	–	278,604
	–	495,058

The Board has decided not to declare a final dividend for the year ended 31 March 2020 (2019: 9.0 HK cents per share).

13 Property, plant and equipment

Accounting Policy

Land and buildings mainly comprise of offices. Property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land	Over remaining lease term
Buildings	20-36 years
Leasehold improvements	Over shorter of lease term or 6 years
Equipment, furniture and fixtures	3-5 years
Motor vehicles and vessel	4-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (**Significant Accounting Policies No. 5**).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised in the income statement.

Please refer to **Critical Accounting Estimates and Judgements (ii)** for estimates and judgements on impairment for property, plant and equipment.

13 Property, plant and equipment (continued)

	Land and buildings HK\$' 000	Leasehold improve- ments HK\$' 000	Equipment, furniture and fixtures HK\$' 000	Motor vehicles and vessel HK\$' 000	Total HK\$' 000
At 31 March 2018					
Cost	190,790	648,599	281,299	19,375	1,140,063
Accumulated depreciation and impairment	(60,496)	(492,550)	(231,199)	(15,652)	(799,897)
Net book amount	130,294	156,049	50,100	3,723	340,166
Year ended 31 March 2019					
Opening net book amount	130,294	156,049	50,100	3,723	340,166
Exchange differences	–	(1,800)	(596)	–	(2,396)
Additions	–	98,583	31,561	1,432	131,576
Disposals	–	–	(1)	–	(1)
Write-off	–	(403)	(588)	–	(991)
Depreciation	(5,629)	(77,013)	(26,872)	(1,771)	(111,285)
Impairment losses	–	(5,231)	(738)	–	(5,969)
Closing net book amount	124,665	170,185	52,866	3,384	351,100
At 31 March 2019					
Cost	190,790	680,635	280,687	20,123	1,172,235
Accumulated depreciation and impairment	(66,125)	(510,450)	(227,821)	(16,739)	(821,135)
Net book amount	124,665	170,185	52,866	3,384	351,100
Year ended 31 March 2020					
Opening net book amount	124,665	170,185	52,866	3,384	351,100
Exchange differences	–	(1,339)	(397)	(25)	(1,761)
Additions	–	57,705	32,357	2,767	92,829
Write-off	–	(4,621)	(10,507)	–	(15,128)
Depreciation	(5,629)	(85,413)	(28,163)	(1,788)	(120,993)
Impairment losses	–	(24,403)	(113)	–	(24,516)
Closing net book amount	119,036	112,114	46,043	4,338	281,531
At 31 March 2020					
Cost	190,790	613,620	265,783	22,031	1,092,224
Accumulated depreciation and impairment	(71,754)	(501,506)	(219,740)	(17,693)	(810,693)
Net book amount	119,036	112,114	46,043	4,338	281,531

13 Property, plant and equipment (continued)

- (a) Depreciation expense of HK\$98,001,000 (2019: HK\$88,023,000) was included in selling and distribution costs from continuing operations, HK\$19,279,000 (2019: HK\$19,066,000) was included in administrative expenses from continuing operations and HK\$3,713,000 (2019: HK\$4,196,000) was included in loss for the year from discontinued operations.
- (b) Write-off of property, plant and equipment of HK\$9,712,000 (2019: HK\$991,000) was included in selling and distribution costs from continuing operations and HK\$5,416,000 (2019: Nil) was included in loss for the year from discontinued operations.
- (c) As at 31 March 2020, net book amount of retail store assets represented property, plant and equipment and right-of-use assets amounting to HK\$79,514,000 (2019: HK\$127,341,000) and HK\$619,328,000 (2019: Nil) respectively. The Group regards each individual retail store as a separately identifiable cash-generating unit. Management carried out an impairment assessment for the retail store assets, including property, plant and equipment and right-of-use assets, which have an impairment indicator. Given the potential adverse impact on the performance of the Group's retail stores as a result of the COVID-19 epidemic, management performed impairment assessment for all the retail stores in Hong Kong and Macau SARs market.

The carrying amount of the retail store assets is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The estimates of the recoverable amounts were based on value-in-use calculations using discounted cash flow projections based on the financial forecasts approved by management covering the remaining tenure of the lease, with major assumptions such as percentage change in revenue, percentage change of running cost and gross profit margin. As a result, an impairment loss of property, plant and equipment and right-of-use assets of HK\$24,516,000 and HK\$245,939,000 (Note 14) (2019: HK\$5,969,000 and nil) respectively were recognised in selling and distribution costs.

Key assumptions used in the value-in-use calculations for the recoverable amount of retail store assets in Hong Kong and Macau SARs market are as follow:

Percentage change in revenue:	based on the estimated timing of easing quarantine restrictions at the borders and the recovery of Mainland tourist arrivals and the consequential effect on the foot traffic of the Group's retail stores
Percentage change of running cost:	based on the estimated change related to the Group's cost saving plan and measures
Gross profit margin:	based on the historical data and change in product mix

14 Leases

Accounting Policy

The Group as lessee

The Group leases various retail stores, warehouses and offices. Rental contracts are typically made for fixed periods from 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Before the adoption of HKFRS 16, leases of premises were classified as finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to income statement on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the lease liabilities and finance costs. The finance cost is charged to income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

14 Leases (continued)

Accounting Policy (continued)

Payments associated with short-term leases are recognised on a straight-line basis as an expense in income statement. Short-term leases are leases with a lease term of 12 months or less.

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its leased properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(a) Right-of-use assets

	Store properties HK\$' 000	Warehouses and offices properties HK\$' 000	Total HK\$' 000
At 1 April 2019	–	–	–
Change in accounting policy (Note 2(ii))	1,401,774	220,254	1,622,028
Restated total at 1 April 2019	1,401,774	220,254	1,622,028
Inception of lease contracts	416,017	4,169	420,186
Depreciation	(731,674)	(50,637)	(782,311)
Adjustment for lease modification	(38,232)	(1,330)	(39,562)
Reassessment of lease term	(178,502)	(29,944)	(208,446)
Exchange difference	(4,116)	(733)	(4,849)
Impairment losses	(245,939)	–	(245,939)
At 31 March 2020	619,328	141,779	761,107

14 Leases (continued)

(a) Right-of-use assets (continued)

The Group obtains right to control the use of various retail stores, warehouses and offices for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 1 to 10 years.

During the year ended 31 March 2020, depreciation of right-of-use assets of HK\$741,543,000 was included in selling and distribution costs from continuing operations, HK\$7,297,000 was included in administrative expenses from continuing operations and HK\$33,471,000 was included in loss for the year from discontinued operations.

Some of the property leases which the Group is the lessee contain variable lease payment terms that are linked to sales generated from the leased stores. Variable lease terms are used to link lease payments to store cash flows and reduce fixed cost. The variable lease payments depend on sales and consequently on the overall economic development over the next few years. Taking into account the development of sales expected over the next few years, variable lease payments are expected to continue to present a similar proportion of store sales in future years.

For details of impairment losses on right-of-use assets, refer to Note 13(c).

(b) Lease liabilities

	2020 HK\$'000
At beginning of the year	–
Change in accounting policy (Note 2(ii))	1,671,119
Restated total at beginning of the year	1,671,119
Inception of lease contracts	414,839
Interest expenses on lease liabilities (Note)	26,842
Payment for lease liabilities (including interest)	(774,472)
Adjustment for lease modification	(42,131)
Reassessment of lease term	(208,446)
Exchange difference	(8,681)
At end of the year	1,079,070

Note:

During the year ended 31 March 2020, interest expenses on lease liabilities of HK\$26,020,000 was included in finance costs from continuing operations and HK\$822,000 was included in loss for the year from discontinued operations.

14 Leases (continued)

(b) Lease liabilities (continued)

Maturity analysis of lease liabilities is as follows:

	2020
	HK\$'000
Lease liabilities payable:	
Not later than 1 year	574,006
Later than 1 year but not later than 5 years	505,064
	1,079,070
Less: portion classified as current liabilities	(574,006)
Non-current liabilities	505,064

(c) Short-term leases, low-value leases and not yet commenced leases

As at 31 March 2020, the total future lease payments for short-term leases, low value leases and not yet commenced leases amounted to HK\$20,183,000, nil and HK\$18,715,000 respectively.

15 Rental deposits, prepayments and other assets

	Significant Accounting Policies No. 6	
	2020	2019
	HK\$'000	HK\$'000
Rental and other deposits	112,568	151,615
Prepayments	–	5,058
Others	5,552	5,552
	118,120	162,225

Rental deposits are carried at amortised cost using the effective interest rate of 0.66% to 1.70% per annum (2019: 0.66% to 1.55% per annum). The carrying amounts of rental deposits approximate their fair values.

16 Deferred tax

Accounting Policy

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and losses can be utilised.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Please refer to **Critical Accounting Estimates and Judgements (i)** for estimates and judgements on unrecognised deferred tax assets.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net amounts are as follows:

	2020 HK\$'000	2019 HK\$'000
Deferred tax assets	115,146	4,808
Deferred tax liabilities	(52)	(214)
Deferred tax assets – net	115,094	4,594

The movement in net deferred tax assets is as follows:

	2020 HK\$'000	2019 HK\$'000
At beginning of the year	4,594	5,008
Change in accounting policy (Note 2(ii))	4,691	–
Restated total as at beginning of the year	9,285	5,008
Deferred tax credited/(charged) to the income statement (Note 9)	106,198	(158)
Exchange differences	(389)	(256)
At end of the year	115,094	4,594

As at 31 March 2020, except for the deferred tax assets on certain provisions were expected to be recovered within 12 months, substantially all remaining balances of other deferred tax assets and liabilities were expected to be recovered after 12 months.

16 Deferred tax (continued)

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Deferred tax assets	Decelerated tax depreciation		Right-of-use assets		Provisions		Tax losses		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of the year	2,406	2,511	-	-	3,302	3,747	-	-	5,708	6,258
Change in accounting policy (Note 2(ii))	-	-	4,691	-	-	-	-	-	4,691	-
Restated total as at beginning of the year	2,406	2,511	4,691	-	3,302	3,747	-	-	10,399	6,258
Credited/(charged) to the income statement	4,732	12	39,694	-	(1,015)	(306)	61,725	-	105,136	(294)
Exchange differences	(153)	(117)	(23)	-	(213)	(139)	-	-	(389)	(256)
At end of the year	6,985	2,406	44,362	-	2,074	3,302	61,725	-	115,146	5,708

Deferred tax liabilities	Accelerated tax depreciation	
	2020	2019
	HK\$'000	HK\$'000
At beginning of the year	1,114	1,250
Credited to the income statement	(1,062)	(136)
At end of the year	52	1,114

Deferred tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of HK\$63,420,000 (2019: HK\$68,299,000) in respect of tax losses amounting to HK\$270,828,000 (2019: HK\$295,096,000) and capital allowances amounting to HK\$41,571,000 (2019: HK\$36,199,000) that can be carried forward against future taxable income. Tax losses amounting to HK\$121,044,000 (2019: HK\$150,921,000) and HK\$37,216,000 (2019: HK\$45,989,000) will expire within 1 to 5 years and 5 to 10 years respectively from 31 March 2020. The remaining tax losses and capital allowances have no expiry date.

17 Inventories

Accounting Policy

Inventories comprise merchandise and are stated at the lower of cost and net realisable value.

Cost represents the invoiced cost of inventories plus the applicable freight and duties. Costs are assigned to individual items on the weighted-average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges purchases of inventories.

Please refer to **Critical Accounting Estimates and Judgements (iii)** for estimates and judgements on provision for inventory.

	2020 HK\$'000	2019 HK\$'000
Merchandise for resale	1,005,900	1,413,726

The cost of inventories recognised as expense, and included in cost of sales from continuing operations and loss for the year from discontinued operations amounted to HK\$3,537,682,000 (2019: HK\$4,809,168,000) and HK\$132,249,000 (2019: HK\$124,866,000) respectively.

During the year, the Group has made a provision of HK\$96,450,000 (2019: HK\$34,056,000) for slow moving inventories and shrinkage and was included in cost of sales from continuing operations amounted to HK\$97,136,000 (2019: HK\$30,799,000) and reversal of provision has been included in loss for the year from discontinued operations amounted to HK\$686,000 (2019: provision of HK\$3,257,000).

18 Trade receivables

Accounting Policy

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Please refer to **Significant Accounting Policies No.6 (iv)** for policies on impairment of financial assets.

18 Trade receivables (continued)

	2020 HK\$' 000	2019 HK\$' 000
Trade receivables	62,903	114,964
Less: provision for impairment losses on trade receivables	(2,286)	(2,263)
Trade receivables – net	60,617	112,701

The carrying amounts of trade receivables approximate their fair values.

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

	2020 HK\$' 000	2019 HK\$' 000
Within 1 month	30,952	87,391
1 to 3 months	14,396	22,140
Over 3 months	15,269	3,170
	60,617	112,701

Movement in the Group's provision for impairment on trade receivables is as follows:

	2020 HK\$' 000	2019 HK\$' 000
At 1 April	2,263	772
Provision for impairment	105	1,525
Exchange differences	(82)	(34)
At 31 March	2,286	2,263

The Group applies HKFRS 9 simplified approach to measure ECL, which uses a lifetime expected loss allowance for all trade receivables. For details of the calculation of the allowance, the Group's exposure to credit risk, as well as the risk management, please refer to Note 1(ii) in "Financial Risk Management".

Trade receivables are denominated in the following currencies:

	2020 HK\$' 000	2019 HK\$' 000
Renminbi	46,530	47,211
Hong Kong dollar	13,248	59,511
Singapore dollar	19	3,205
Others	820	2,774
	60,617	112,701

19 Other receivables, deposits and prepayments

Accounting Policy

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

If collection of other receivables is expected to be in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Please refer to **Significant Accounting Policies No.6 (iv)** for policies on impairment of financial assets.

	2020 HK\$'000	2019 HK\$'000
Rental and other deposits	149,748	144,678
Other receivables and payment in advance	99,012	47,989
Prepayments	27,477	28,591
Forward foreign exchange contracts (Note 23)	–	16
	276,237	221,274

The carrying amounts of other receivables and deposits approximate their fair values. The other receivables are due and receivable within one year from the end of the reporting period.

20 Cash and bank balances

Accounting Policy

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

	2020 HK\$'000	2019 HK\$'000
Time deposits	82,122	589,512
Short-term bank deposits	348,804	340,909
Cash at bank and on hand	210,577	210,225
Cash and cash equivalents	559,381	551,134
Total	641,503	1,140,646

20 Cash and bank balances (continued)

Cash and bank balances are denominated in the following currencies:

	2020 HK\$' 000	2019 HK\$' 000
Hong Kong dollar	451,349	930,791
Malaysian Ringgit	65,308	54,925
Singapore dollar	35,126	19,169
US dollar	27,188	40,711
Renminbi	21,409	38,133
Macau Pataca	15,013	23,930
Swiss Franc	14,525	19,379
Euro	6,783	6,791
Others	4,802	6,817
	641,503	1,140,646

The year-end effective interest rate on time deposits over three months was 2.82% per annum (2019: 2.39% per annum). These deposits have an average maturity of 6 months (2019: 6 months).

The year-end effective interest rate on short-term bank deposits was 2.40% per annum (2019: 2.03% per annum). These deposits have an average maturity of 1 month (2019: 1 month).

As at 31 March 2020, out of the total cash and bank balances denominated in Renminbi and Malaysian Ringgit as stated above, approximately HK\$85,023,000 (2019: HK\$73,848,000) were kept in Mainland China and Malaysia. The remittance of these funds out of Mainland China and Malaysia is subject to applicable foreign exchange restrictions imposed by the respective local governments.

21 Trade payables

Accounting Policy

Trade payables are obligations to pay for goods that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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

	2020 HK\$' 000	2019 HK\$' 000
Within 1 month	79,430	370,818
1 to 3 months	84,716	86,687
Over 3 months	55,100	13,994
	219,246	471,499

The carrying amounts of trade payables approximate their fair values.

Trade payables are denominated in the following currencies:

	2020 HK\$' 000	2019 HK\$' 000
Hong Kong dollar	117,069	298,974
Renminbi	48,786	30,374
US dollar	16,490	53,117
Malaysian Ringgit	15,126	14,074
Euro	8,751	40,579
Swiss Franc	5,976	14,392
Singapore dollar	3,064	5,400
South Korean Won	2,354	5,947
Japanese Yen	1,363	8,286
Others	267	356
	219,246	471,499

22 Other payables and accruals

Accounting Policy

Other payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions are recognised when the Group has a present legal and constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligations using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

	2020	2019
	HK\$' 000	HK\$' 000
Accrued staff costs	66,609	122,314
Contract liabilities	37,171	25,933
Valued-added tax and other tax payables	15,674	17,250
Accrued rental related expenses	15,597	40,107
Accrued advertising and promotion expenses	11,468	18,784
Accrued transportation expenses	6,861	13,252
Accrued capital expenditure	5,825	24,930
Forward foreign exchange contracts (Note 23)	19	130
Other payables and accruals	75,833	66,151
	235,057	328,851

23 Forward foreign exchange contracts

Accounting Policy

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates its derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

Movements on the hedging reserve in shareholders' equity are shown in Note 26. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in income statement within "other gains – net".

In the current year, the Group designated certain forward foreign exchange contracts as cash flow hedges to hedge against the Group's purchases denominated in Euro, Swiss Franc and Japanese Yen. The Group generally designates the full change in fair value of the forward contract as the hedging instrument. Gains or losses relating to the effective portion of the change in the fair value of the forward foreign exchange contracts are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast purchase that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example inventory), the gains and losses previously deferred in hedging reserve are transferred from hedging reserve and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold when these inventory are sold.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time, is recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in hedging reserve is immediately transferred to the income statement within "other gains – net".

23 Forward foreign exchange contracts (continued)

	2020		2019	
	Current assets	Current liabilities	Current assets	Current liabilities
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
Forward foreign exchange contracts – cash flow hedge	–	19	16	130

The maturity dates of the outstanding forward foreign exchange contracts are within one year and are classified as current assets and current liabilities respectively.

As at 31 March 2020, the notional principal amount of the outstanding forward foreign exchange contracts under cash flow hedges was HK\$2,323,000 (2019: HK\$21,953,000). The hedges related to highly probable forecasted purchases denominated in Euro and Swiss Franc (2019: Euro, Swiss Franc and Japanese Yen) which are expected to occur at various dates within a 12-month period.

The forward foreign exchange contracts entered for the year ended 31 March 2020 were determined to be effective hedges. There was no ineffectiveness to be recognised in the consolidated income statement.

24 Retirement benefit obligations

(a) Retirement benefit obligations

	Significant Accounting Policies No. 8	
	2020 HK\$' 000	2019 HK\$' 000
Retirement benefit obligations liability on:		
– long service payments (Note (b)(ii))	1,710	5,643

(b) Retirement benefit costs

	2020 HK\$' 000	2019 HK\$' 000
Retirement benefit costs charged to income statement:		
Retirement benefit costs		
– defined contribution plans (Note (i))	49,018	51,662
– long service payments (Note (ii))	71	199
	49,089	51,861
Representing:		
– Employee benefit expenses from continuing operations (Note 6)	42,782	45,540
– Loss for the year from discontinued operations	6,307	6,321
	49,089	51,861
Retirement benefit costs (credited)/charged to other comprehensive income:		
– long service payments (Note (ii))	(1,992)	2,016

24 Retirement benefit obligations (continued)

(b) Retirement benefit costs (continued)

Notes:

- (i) The subsidiaries of the Group in Hong Kong elected to contribute to the Mandatory Provident Fund Scheme ("MPF Scheme"). The MPF Scheme is a defined contribution retirement benefit plan administered by independent trustees. Under the MPF Scheme, both the employer and employees are required to contribute 5% of the employee's monthly salaries (capped at HK\$30,000). Contributions from the employer equivalent to the contribution as specified at the rules of the MPF Scheme are 100% vested as soon as they are paid to the relevant MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the age of 65, subject to a few exceptions. As to the employer's contribution in excess of the portion vested in the MPF Scheme the employees are entitled to 100% of it after 10 years of completed service or at a reduced scale after completion of 3 to 9 years' service. No forfeited contributions for the Group is available to reduce the contribution payment in the future years.

The employees of the Group in Mainland China are members of state-managed retirement benefit schemes operated by the respective local government in Mainland China. The Group is required to contribute a specified percentage of payroll costs to the scheme to fund the benefits. The only obligation of the Group with respect to these schemes is to make the specified contributions.

- (ii) The Group's provision for long service payments are determined based on the actuarial valuation as at 31 March 2020 prepared by Roma Appraisals Limited, a qualified actuary, using the projected unit credit method.

The movements of long service payments during the year are as follow:

	Present value of obligations	
	2020 HK\$' 000	2019 HK\$' 000
At 1 April	5,643	3,494
Current service cost	71	128
Interest cost on scheme assets	–	71
Retirement benefit costs charged to income statement	71	199
Remeasurements:		
Actuarial (gain)/loss – experience	(2,203)	2,466
Actuarial loss – financial assumptions	211	211
Actuarial gain – demographic assumptions	–	(661)
Retirement benefit costs (credited)/charged to other comprehensive income	(1,992)	2,016
Benefits paid directly by the employer	(2,012)	(66)
At 31 March	1,710	5,643

The principal actuarial assumptions used are as follows:

	2020	2019
Discount rate	0.6%	1.8%
Expected rate of future salary increases	3.5%	3.5%

24 Retirement benefit obligations (continued)

(b) Retirement benefit costs (continued)

Notes: (continued)

(ii) (continued)

The sensitivity of the long service payments to changes in the weighted principal assumption is as follows:

Assumption	Change to adopted rate	Effect on defined benefit plan obligation
Discount rate	+0.25%	-2.74%
	-0.25%	+2.84%
Expected rate of future salary increases	+0.25%	+8.75%
	-0.25%	-7.45%

25 Share capital

Accounting Policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Please refer to **Significant Accounting Policies No.9** for details on Share Options and Share Award Scheme.

	No. of shares	HK\$' 000
Authorised shares of HK\$0.1 each		
At 31 March 2019 and 2020	8,000,000,000	800,000
Issued and fully paid shares of HK\$0.1 each		
At 1 April 2018	3,038,854,398	303,885
Issue of share upon exercise of share option	1,180,000	118
Issue of shares upon scrip dividend of 2017/18 final and special dividends	52,159,796	5,216
Issue of shares upon scrip dividend of 2018/19 interim dividend	3,408,209	341
At 31 March 2019	3,095,602,403	309,560
Issue of shares upon scrip dividend of 2018/19 final dividend	7,587,055	759
At 31 March 2020	3,103,189,458	310,319

(a) Share options

The 2002 Share Option Scheme was adopted on 29 August 2002 and terminated on 23 August 2012. No further options could be granted under the 2002 Share Option Scheme upon termination but the options already granted remained governed by the 2002 Share Option Scheme. The 2012 Share Option Scheme was adopted on 23 August 2012.

25 Share capital (continued)

(a) Share options (continued)

Under both the 2002 Share Option Scheme and the 2012 Share Option Scheme, share options may be granted to any directors (including executive, non-executive and independent non-executive directors) and employees of the Group, and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any members of the Group who the Board or a duly authorised committee thereof considers, in its sole discretion, to have contributed to the Group.

The option period shall be notified by the Board to each grantee at the time of making an offer which shall not expire later than 10 years from the date of grant of the relevant option. The subscription price shall be determined by the Board at its absolute discretion but in any event shall not be less than the highest of: (i) the closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company. The Group has no obligation to repurchase or settle the options in cash.

The outstanding share options of the Company were granted under the 2002 Share Option Scheme and the 2012 Share Option Scheme to the directors of the Company and certain key management personnel, which are to be vested after the selected employee completed a period of services in the Group from one to three years from the grant date or achieved certain performance targets set by the Board. As at 31 March 2020, 300,000 outstanding share options have not been vested.

During the year ended 31 March 2020, a total of 10,000,000 (2019: 400,000) share options were granted to an employee under the 2012 Share Option Scheme.

Movements in the number of share options outstanding are as follows:

	No. of share options year ended 31 March	
	2020	2019
At beginning of the year	32,956,988	34,181,988
Granted	10,000,000	400,000
Exercised	–	(1,180,000)
Lapsed	(10,947,000)	(445,000)
At end of the year	32,009,988	32,956,988

The weighted average closing price at the date of exercise of options exercised during the year ended 31 March 2019 was HK\$5.47.

25 Share capital (continued)

(a) Share options (continued)

The expiry dates and subscription prices of the share options outstanding as at 31 March 2020 and 2019 are set out as follows:

Expiry dates	Subscription		
	price per Share (HK\$)	No. of share options outstanding as at 31 March	
		2020	2019
2002 Share Option Scheme			
29 September 2020	3.16	452,000	532,000
16 June 2021	4.95	1,690,000	1,860,000
28 February 2022	4.77	22,145,988	22,145,988
28 June 2022	4.85	2,787,000	3,007,000
2012 Share Option Scheme			
20 June 2023	8.07	4,635,000	5,012,000
12 April 2028	4.65	300,000	400,000
		32,009,988	32,956,988
Weighted average remaining contractual life of options outstanding at end of the year		2.13 years	3.15 years

The fair values of the share options granted during the period was determined using the binomial lattice model, prepared by Roma Appraisals Limited, were listed below:

Date of grant	Number of options granted	Period during which rights exercisable	Fair value per Share Option (HK\$)
28 Jun 2019	10,000,000	3,000,000 share options may be exercised from 3 Jul 2019 to 27 Jun 2029	0.46
		3,000,000 share options may be exercised from 3 Jul 2020 to 27 Jun 2029	0.50
		4,000,000 share options may be exercised from 3 Jul 2021 to 27 Jun 2029	0.52

The significant inputs into the model were share price of HK\$2.24 at the grant date, subscription price of HK\$2.24, volatility of 40.07%, dividend yields of 9.42%, an expected option life of around 10 years and an annual risk-free interest rate of 1.46%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last 10 years.

(b) Share award

Pursuant to a resolution of the Board dated 11 April 2014, the Board approved the adoption of the Share Award Scheme under which shares of the Company may be awarded to selected employees for no cash consideration in accordance with its absolute discretion. The Share Award Scheme operates for 15 years starting from 11 April 2014. The maximum number of shares which may be awarded to any selected employee under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time. The awarded shares are to be vested after the selected employee completed a period of services in the Group from one week to three years from the grant date.

25 Share capital (continued)

(b) Share award (continued)

A trust has been set up and fully funded by the Company for the purpose of purchasing, administering and holding the Company's shares for the Share Award Scheme. The total number of shares to be awarded under the Share Award Scheme is limited to 5% of the issued share capital of the Company.

During the year ended 31 March 2019, the Company acquired 2,000,000 of its own shares on the Stock Exchange for the Share Award Scheme. The total amount paid to acquire these shares was HK\$9,618,000 and has been deducted from the shareholders' equity. During the year ended 31 March 2020, no share was acquired by the Company and 130,230 shares of the Company were issued to the Share Award Scheme as scrip dividend.

Movements in the number of shares awarded:

	Number of awarded shares year ended 31 March	
	2020	2019
At beginning of the year	435,000	475,000
Awarded (Note)	980,000	370,000
Vested	(470,000)	(305,000)
Lapsed	(155,000)	(105,000)
At end of the year	790,000	435,000

Note: The fair value of awarded shares was determined with reference to market price of the Company's shares at the grant date. Average fair value per share was HK\$2.15 (2019: HK\$4.98).

Details of the awarded shares outstanding as at 31 March 2020 were set out as follows:

Date of award	Average fair value per share (HK\$)	Vesting period*	Number of awarded shares				Outstanding as at 31 March 2020
			Outstanding as at 1 April 2019	Awarded during the year	Vested during the year	Lapsed during the year	
29 Jul 2016	3.38	29 Jul 2016 to 29 Jul 2019	25,000	–	(25,000)	–	–
31 Jul 2017	2.87	31 Jul 2017 to 31 Mar 2020	110,000	–	(95,000)	(15,000)	–
30 Nov 2017	3.01	30 Nov 2017 to 21 Aug 2020	50,000	–	–	(50,000)	–
29 Jun 2018	4.98	29 Jun 2018 to 23 May 2021	250,000	–	(110,000)	–	140,000
21 Jun 2019	2.25	21 Jun 2019 to 30 Jun 2022	–	780,000	(240,000)	(90,000)	450,000
30 Sep 2019	1.74	30 Sep 2019 to 26 Mar 2022	–	200,000	–	–	200,000
			435,000	980,000	(470,000)	(155,000)	790,000

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

25 Share capital (continued)

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

	2020 HK\$' 000	2019 HK\$' 000
Expenses recognised by share option scheme	1,536	300
Expenses recognised by share award scheme	1,603	1,704
	3,139	2,004

26 Reserves

	Share premium HK\$' 000	Shares held under the Share Award Scheme HK\$' 000	Capital redemption reserve HK\$' 000	Employee share-based compensation reserve HK\$' 000	Hedging reserve HK\$' 000	Translation reserve HK\$' 000	Retained earnings HK\$' 000	Total HK\$' 000
At 1 April 2019	1,400,644	(9,920)	11,783	57,996	(81)	(42,392)	759,018	2,177,048
Change in accounting policy (Note 2(ii))	-	-	-	-	-	-	(24,326)	(24,326)
Restated total at 1 April 2019	1,400,644	(9,920)	11,783	57,996	(81)	(42,392)	734,692	2,152,722
Loss for the year	-	-	-	-	-	-	(515,936)	(515,936)
Other comprehensive loss:								
Actuarial gain on retirement benefit obligations	-	-	-	-	-	-	1,992	1,992
Cash flow hedges, net of tax	-	-	-	-	61	-	-	61
Currency translation differences of foreign subsidiaries recorded in translation reserve	-	-	-	-	-	(21,732)	-	(21,732)
Total comprehensive loss for the year	-	-	-	-	61	(21,732)	(513,944)	(535,615)
Share award scheme:								
Value of employee services	-	-	-	1,603	-	-	-	1,603
Vesting of shares under share award scheme	-	2,006	-	(1,445)	-	-	(561)	-
Employee share option scheme:								
Value of employee services	-	-	-	1,536	-	-	-	1,536
Lapse of share options	-	-	-	(3,012)	-	-	3,012	-
Issue of shares upon scrip dividend of 2018/19 final dividend (Note 25)	12,063	-	-	-	-	-	-	12,063
Unclaimed dividends forfeited	-	-	-	-	-	-	288	288
Dividend:								
2018/19 final dividend	-	-	-	-	-	-	(278,604)	(278,604)
Total transactions with owners, recognised directly in equity	12,063	2,006	-	(1,318)	-	-	(275,865)	(263,114)
At 31 March 2020	1,412,707	(7,914)	11,783	56,678	(20)	(64,124)	(55,117)	1,353,993

26 Reserves (continued)

	Share premium HK\$' 000	Shares held under the Share Award Scheme HK\$' 000	Capital redemption reserve HK\$' 000	Employee share-based compensation reserve HK\$' 000	Hedging reserve HK\$' 000	Translation reserve HK\$' 000	Retained earnings HK\$' 000	Total HK\$' 000
At 1 April 2018	1,198,791	(1,639)	11,783	59,704	391	(21,541)	931,466	2,178,955
Profit for the year	-	-	-	-	-	-	470,752	470,752
Other comprehensive loss:								
Actuarial loss on retirement benefit obligations	-	-	-	-	-	-	(2,016)	(2,016)
Cash flow hedges, net of tax	-	-	-	-	(472)	-	-	(472)
Currency translation differences of foreign subsidiaries recorded in translation reserve	-	-	-	-	-	(20,851)	-	(20,851)
Total comprehensive income for the year	-	-	-	-	(472)	(20,851)	468,736	447,413
Share award scheme:								
Shares purchased for share award scheme	-	(9,618)	-	-	-	-	-	(9,618)
Value of employee services	-	-	-	1,704	-	-	-	1,704
Vesting of shares under share award scheme	-	1,337	-	(1,141)	-	-	(196)	-
Employee share option scheme:								
Value of employee services	-	-	-	300	-	-	-	300
Proceeds from shares issued upon exercise of share options	5,586	-	-	-	-	-	-	5,586
Transfer of reserve upon exercise of options	1,737	-	-	(1,737)	-	-	-	-
Lapse of share options	-	-	-	(834)	-	-	834	-
Issue of shares upon scrip dividend of 2017/18 final and special dividends (Note 25)	184,646	-	-	-	-	-	-	184,646
Issue of shares upon scrip dividend of 2018/19 interim dividend (Note 25)	9,884	-	-	-	-	-	-	9,884
Unclaimed dividends forfeited	-	-	-	-	-	-	236	236
Dividends:								
2017/18 final and special dividends	-	-	-	-	-	-	(425,604)	(425,604)
2018/19 interim dividend	-	-	-	-	-	-	(216,454)	(216,454)
Total transactions with owners, recognised directly in equity	201,853	(8,281)	-	(1,708)	-	-	(641,184)	(449,320)
At 31 March 2019	1,400,644	(9,920)	11,783	57,996	(81)	(42,392)	759,018	2,177,048

27 Cash flow information

(a) Cash generated from operations

	2020 HK\$' 000	2019 HK\$' 000
(Loss)/profit for the year from continuing operations	(475,082)	490,917
Loss for the year from discontinued operations	(40,854)	(20,165)
(Loss)/profit for the year including discontinued operations	(515,936)	470,752
Adjustments for:		
– Income tax (credit)/expense	(86,916)	91,380
– Depreciation of property, plant and equipment	120,993	111,285
– Depreciation of right-of-use assets	782,311	–
– Impairment of property, plant and equipment	24,516	5,969
– Impairment of right-of-use assets	245,939	–
– Write-off of property, plant and equipment	15,128	991
– Provision for slow moving inventories and shrinkage	96,450	34,056
– Gains on disposal of property, plant and equipment (Note 27(b))	(331)	(447)
– Share-based payment	3,139	2,004
– Finance costs	26,842	–
– Finance income	(17,451)	(20,690)
	694,684	695,300
Changes in working capital:		
– Inventories	297,303	(120,725)
– Trade receivables	52,084	32,716
– Other receivables, deposits and prepayments	(9,959)	2,577
– Trade payables	(252,253)	(148,202)
– Other payables, accruals and retirement benefit obligations	(78,922)	(26,595)
Cash generated from operations	702,937	435,071

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2020 HK\$' 000	2019 HK\$' 000
Net book amount (Note 13)	–	1
Gains on disposal of property, plant and equipment	331	447
Proceeds from disposal of property, plant and equipment	331	448

(c) The net debt of the Group comprised of cash and bank balances and lease liabilities. For details of movement in lease liabilities, see Note 14(b).

28 Commitments

(a) Capital commitments in respect of acquisition of property, plant and equipment

	2020 HK\$'000	2019 HK\$'000
Contracted but not provided for	14,594	39,844

(b) Non-cancellable operating leases commitment

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 to 10 years.

As at 31 March 2019, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2019 HK\$'000
Land and buildings	
Within one year	753,734
In the second to fifth year inclusive	699,767
After the fifth year	152
	1,453,653

From 1 April 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see Note 14 for further information.

(c) Non-cancellable operating leases rental receivables

As at 31 March 2019, the Group had total future aggregate minimum lease payments receivable under non-cancellable operating leases as follows:

	2019 HK\$'000
Land and buildings	
Within one year	25,380
In the second to fifth year inclusive	23,000
	48,380

From 1 April 2019, the Group assessed that all sub-lease arrangements are classified as finance leases under HKFRS 16.

29 Significant related party transactions

Accounting Policy

Related parties are individuals and companies, including subsidiaries, fellow subsidiaries, jointly controlled entities, associated companies and key management personnel, where the individual or company has the ability, directly or indirectly, control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions. A close family member of any such individual is considered to be a related party.

(a) Transactions with related parties

	2020 HK\$' 000	2019 HK\$' 000
Short-term lease expenses paid to an entity wholly owned by executive directors	2,202	2,202

Short-term lease expenses are mutually agreed by both parties.

(b) Key management compensation

Key management, including executive directors, senior management and other key management personnel, represents individual who has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions.

Key management compensation is disclosed as follows:

	2020 HK\$' 000	2019 HK\$' 000
Basic salaries, housing allowances, other allowances and benefits-in-kind	50,207	45,655
Retirement benefit costs	1,828	1,584
Share-based payment	3,030	1,595
	55,065	48,834

(c) Interest of directors

There are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities (2019: Nil). During the year and at the year end, no director of the Company had or has a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Group's business to which the Group was or is a party (2019: Nil).

30 Principal subsidiaries

Particulars of the principal subsidiaries at 31 March 2020:

Name	Place of incorporation/ establishment and kind of legal entity (Country/Region)	Principal activities and place of operation (if different from place of incorporation)	Particulars of issued share capital/paid up share capital	Direct/indirect interest held
Astute Approach Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$7,300,001	100%
Base Sun Investment Limited	Hong Kong, limited liability company	Property holding	Ordinary HK\$100 Deferred HK\$2	100%
Bethany Services Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$198,001	100%
Cosmic Rosy Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$1	100%
Cyber Colors Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US\$1	100%
Docile Company Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US\$2	100%
Dragon Gold Investments Limited	Hong Kong, limited liability company	Trading of cosmetic and skin care products	Ordinary HK\$2	100%
Dragonstar International Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$1	100%
Eleanor International Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US\$1	100%
Ever Bloom Development Limited	Hong Kong, limited liability company	Investment holding	Ordinary HK\$1	100%

"Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China.

30 Principal subsidiaries (continued)

Name	Place of incorporation/ establishment and kind of legal entity (Country/Region)	Principal activities and place of operation (if different from place of incorporation)	Particulars of issued share capital/paid up share capital	Direct/indirect interest held
Fielding Group Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$2	100%
Forever Best International Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$1	100%
Hadatuko Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US\$1	100%
Highmove Enterprises Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$1	100%
Hong Kong Sa Sa (M) Sdn. Bhd.	Malaysia, limited liability company	Trading and retailing of cosmetic products	Ordinary RM20,000,000	100%
Matford Trading Limited	Hong Kong, limited liability company	Property holding	Ordinary HK\$100 Deferred HK\$6	100%
Methode Swiss Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US\$1	100%
Netcom Holdings Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$50,000	100%
New Image International Holdings Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$6	100%*
Nouveau International Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$1	100%

*"Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China.

30 Principal subsidiaries (continued)

Name	Place of incorporation/ establishment and kind of legal entity (Country/Region)	Principal activities and place of operation (if different from place of incorporation)	Particulars of issued share capital/paid up share capital	Direct/indirect interest held
Rosy Sino Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US\$1	100%
Sa Sa Boutique Limited	Hong Kong, limited liability company	Investment holding	Ordinary HK\$2	100%
Sa Sa Cosmetic Company Limited	Hong Kong, limited liability company	Retailing and wholesaling of cosmetic products	Ordinary HK\$100 Deferred HK\$2	100%
Sa Sa Cosmetic Co. (S) Pte. Ltd.	Singapore, limited liability company	Trading and retailing of cosmetic products	Ordinary S\$19,500,000	100%
Sa Sa dot Com Limited	Hong Kong, limited liability company	E-commerce	Ordinary HK\$1,000,000	100%
Sa Sa Development Limited	Hong Kong, limited liability company	Property holding	Ordinary HK\$100	100%
Sa Sa Health Food Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$50,000	100%
Sa Sa Investment (HK) Limited	Hong Kong, limited liability company	Property holding	Ordinary HK\$100 Deferred HK\$2	100%
Sa Sa Investment Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$1	100%
Sa Sa International (Taiwan) Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$6,880,000	100%
Sa Sa Making Life Beautiful Charity Fund Limited	Hong Kong, limited liability company	Charitable activities	Limited by guarantee	100%*

*"Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China.

30 Principal subsidiaries (continued)

Name	Place of incorporation/ establishment and kind of legal entity (Country/Region)	Principal activities and place of operation (if different from place of incorporation)	Particulars of issued share capital/paid up share capital	Direct/indirect interest held
Sa Sa Nominees Limited	Hong Kong, limited liability company	Provision of services to group companies	Ordinary HK\$2	100%
Sa Sa Overseas Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US\$2	100%
Sa Sa Property Limited	Hong Kong, limited liability company	Property holding	Ordinary HK\$100	100%
Sasatinie Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US\$1	100%
SkinPeptoxyl Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US\$1	100%
Soo Beauté Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US\$1	100%
S.P. Laboratories S.A.	Switzerland, limited liability company	Holding of intellectual property rights	Bearer CHF555,000	100%
Swiss Balance Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$1	100%
Swiss Rituel Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US\$1	100%
Suisse Programme Limited	Gibraltar, limited liability company	Holding of intellectual property rights	Ordinary £100	100%
Whitfield Enterprises Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$2	100%

"Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China.

30 Principal subsidiaries (continued)

Name	Place of incorporation/ establishment and kind of legal entity (Country/Region)	Principal activities and place of operation (if different from place of incorporation)	Particulars of issued share capital/paid up share capital	Direct/indirect interest held
明貴貿易(上海)有限公司 (Note 1)	People's Republic of China, limited liability company	Wholesale of cosmetic products	HK\$10,000,000	100%
莎莎化妝品(中國) 有限公司(Note 2)	People's Republic of China, limited liability company	Trading and retailing of cosmetic products	HK\$205,000,000	100%
鄭州莎莎電子商務 有限公司(Note 3)	People's Republic of China, limited liability company	Provision of e-commerce related services to group companies	RMB500,000	100%
小莎電子商務(廣州) 有限公司(Note 4)	People's Republic of China, limited liability company	Provision of e-commerce related services to group companies	Nil (Note 4)	100%

Notes:

"Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China.

* Direct interest held

- 1) 明貴貿易(上海)有限公司 is a wholly foreign-owned enterprise established in the People's Republic of China.
- 2) 莎莎化妝品(中國)有限公司 is a wholly foreign-owned enterprise established in the People's Republic of China.
- 3) 鄭州莎莎電子商務有限公司 is a wholly foreign-owned enterprise established in the People's Republic of China.
- 4) 小莎電子商務(廣州)有限公司 is a wholly foreign-owned enterprise established in the People's Republic of China. As at 31 March 2020, there was no paid up share capital. The remaining registered capital not yet paid up amounted to RMB1,000,000.

31 Statement of financial position and reserve movement of the Company

Statement of financial position of the Company

	2020 HK\$' 000	2019 HK\$' 000
ASSETS		
Non-current assets		
Investments in and amounts due from subsidiaries	1,994,135	1,767,636
Other assets	750	750
	1,994,885	1,768,386
Current assets		
Other receivables, deposits and prepayments	1,030	1,905
Time deposits	–	362,588
Cash and cash equivalents	186,675	72,778
	187,705	437,271
LIABILITIES		
Current liabilities		
Other payables and accruals	1,825	1,684
Net current assets	185,880	435,587
Total assets less current liabilities	2,180,765	2,203,973
EQUITY		
Capital and reserves		
Share capital	310,319	309,560
Reserves	1,870,446	1,894,413
Total equity	2,180,765	2,203,973

On behalf of the Board

KWOK Siu Ming Simon

Chairman and CEO

KWOK LAW Kwai Chun Eleanor

Vice-chairman

31 Statement of financial position and reserve movement of the Company (continued)

Reserve movement of the Company

	Share premium HK\$' 000	Shares held under the Share Award Scheme HK\$' 000	Capital redemption reserve HK\$' 000	Employee share-based compensation reserve HK\$' 000	Retained earnings HK\$' 000	Total HK\$' 000
At 1 April 2019	1,400,644	(9,920)	11,783	57,996	433,910	1,894,413
Profit and total comprehensive income for the year	–	–	–	–	239,147	239,147
Share award scheme:						
Value of employee services	–	–	–	1,603	–	1,603
Vesting of shares under share award scheme	–	2,006	–	(1,445)	(561)	–
Employee share option scheme:						
Value of employee services	–	–	–	1,536	–	1,536
Lapse of share options	–	–	–	(3,012)	3,012	–
Issue of shares upon scrip dividend of 2018/19 final dividend (Note 25)	12,063	–	–	–	–	12,063
Unclaimed dividends forfeited	–	–	–	–	288	288
Dividend:						
2018/19 final dividend	–	–	–	–	(278,604)	(278,604)
Total transactions with owners, recognised directly in equity	12,063	2,006	–	(1,318)	(275,865)	(263,114)
At 31 March 2020	1,412,707	(7,914)	11,783	56,678	397,192	1,870,446

31 Statement of financial position and reserve movement of the Company (continued)

Reserve movement of the Company (continued)

	Share premium HK\$'000	Shares held under the Share Award Scheme HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2018	1,198,791	(1,639)	11,783	59,704	575,012	1,843,651
Profit and total comprehensive income for the year	–	–	–	–	500,082	500,082
Share award scheme:						
Shares purchased for share award scheme	–	(9,618)	–	–	–	(9,618)
Value of employee services	–	–	–	1,704	–	1,704
Vesting of shares under share award scheme	–	1,337	–	(1,141)	(196)	–
Employee share option scheme:						
Value of employee services	–	–	–	300	–	300
Proceeds from shares issued upon exercise of share options	5,586	–	–	–	–	5,586
Transfer of reserve upon exercise of options	1,737	–	–	(1,737)	–	–
Lapse of share options	–	–	–	(834)	834	–
Issue of shares upon scrip dividend of 2017/18 final and special dividends (Note 25)	184,646	–	–	–	–	184,646
Issue of shares upon scrip dividend of 2018/19 interim dividend (Note 25)	9,884	–	–	–	–	9,884
Unclaimed dividends forfeited	–	–	–	–	236	236
Dividends:						
2017/18 final and special dividends	–	–	–	–	(425,604)	(425,604)
2018/19 interim dividend	–	–	–	–	(216,454)	(216,454)
Total transactions with owners, recognised directly in equity	201,853	(8,281)	–	(1,708)	(641,184)	(449,320)
At 31 March 2019	1,400,644	(9,920)	11,783	57,996	433,910	1,894,413

Glossary

AGM(s)	Annual general meetings of the Company
Board	Board of directors of the Company
CEO	Chief Executive Officer of the Company
CFO	Chief Financial Officer of the Company
CG Code	Corporate Governance Code and Corporate Governance Report, Appendix 14 of the Listing Rules
Code Provision(s)	Code Provisions in the CG Code
Company, Sasa, Sa Sa, Sa Sa Group, Group, we or us	Sa Sa International Holdings Limited, and, except where the context indicates otherwise, its subsidiaries
Corporate Communication(s)	Any document issued or to be issued by the Company for the information or action of holders of any securities of the Company, including but not limited to annual and interim reports, notice of meeting, listing document, circular and proxy form
Director(s)	Director(s) of the Company, including all executive, non-executive and independent non-executive directors
ERM	Enterprise Risk Management
HKExnews website	http://www.hkexnews.hk
Hong Kong, Hong Kong SAR, HK or HKSAR	The Hong Kong Special Administrative Region of the People's Republic of China
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Macau or Macau SAR	The Macau Special Administrative Region of the People's Republic of China
Mainland or Mainland China	The People's Republic of China excluding Hong Kong, Macau and Taiwan
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 of the Listing Rules
PRC	The People's Republic of China
PwC, auditor, external auditor or independent auditor	PricewaterhouseCoopers
SFO	Securities and Futures Ordinance, Cap.571
Share(s)	Share(s) of the Company
Shareholder(s)	Shareholder(s) of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
The Company's website	http://corp.sasa.com

Corporate Information

Board of Directors

Executive Directors

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

Non-executive Director

Ms LEE Yun Chun Marie-Christine

Independent Non-executive Directors

Ms KI Man Fung Leonie, *GBS, SBS, JP*
Mr TAN Wee Seng
Mr CHAN Hiu Fung Nicholas, *MH*

Company Secretary

Ms MAK Sum Wun Simmy

Head Office

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

Registered Office

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

Auditor

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Abacus Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong SAR
Tel: (852) 2980 1333
Fax: (852) 2810 8185
E-mail: is-enquiries@hk.tricorglobal.com
Website: www.tricoris.com

Principal Bankers

Citibank, N. A.
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
BNP Paribas, Hong Kong Branch
Bank of Communications Company Limited, Hong Kong Branch

Share Information

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

Investor Relations

Corporate Communications and Investor Relations Department
Sa Sa International Holdings Limited
8th Floor, Block B, MP Industrial Centre
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E-mail: ir@sasa.com

Corporate Website

corp.sasa.com



Shopping Site

www.sasa.com





This 2019/2020 Annual Report is available in both English and Chinese, and in printed and electronic forms. Shareholders who (i) have received either the English or the Chinese version of the Annual Report and wish to have a copy in the language different from the one that has been received; or (ii) wish to change the choice of means of receipt or language of the Corporate Communications to be received from the Company in future, may request to do so by completing and returning the Change Request Form (which may be downloaded from the Company's website) by post or by hand to Tricor Abacus Limited ("Tricor"), the Company's branch share registrar and transfer office in Hong Kong. Tricor's address is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. The scanned copy of the completed Change Request Form may also be returned to Tricor by email at sasa-ecom@hktricorn.com.

This Annual Report and other Corporate Communications are now available on the Company's website at <http://corp.sasa.com> and the HKExnews website of the Stock Exchange at <http://www.hkexnews.hk>. If Shareholders have difficulty in receiving or gaining access to the same through the above means for any reason, the Company will promptly upon receiving the Change Request Form send the printed version of the requested document(s) to the Shareholders free of charge.

As an environment-conscious corporate citizen, the Company encourages Shareholders to access the Corporate Communications via the Company's or HKExnews website. The Company's website presents a user-friendly interface in English and Chinese, and all Corporate Communications are easily accessible in the "Investor Relations" section following their releases.





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Shares of Sa Sa International Holdings Limited are traded on
The Stock Exchange of Hong Kong Limited (Stock Code: 178)