



# CORPORATE

## Governance Report



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

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

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



## Corporate Governance at Sa Sa

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

►► Clearly established procedures and process

►► Active participation by directors in regular board meetings

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

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

**Sa Sa**  
making life beautiful

# CORPORATE Governance Report

## Highlights in Corporate Governance Practices for 2015/16

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

### **Board Evaluation**

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

### **Data Privacy**

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

### **Competition Law**

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

### **Regular training and education**

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

### **Directors' continuous developments**

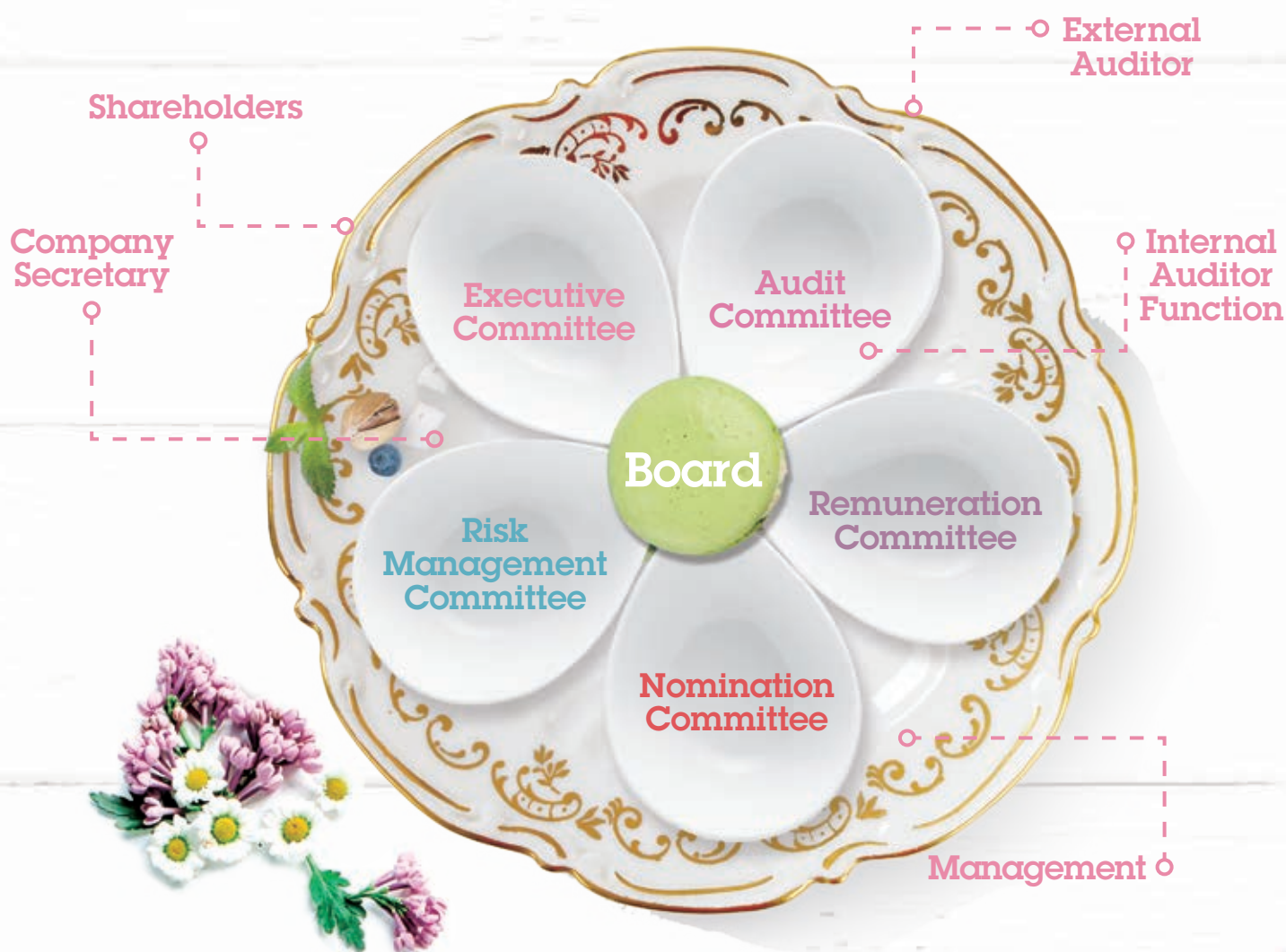
In addition to external training and seminars, two in-house trainings were provided to the directors during the year.

## Our Recognition

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



## Our Corporate Governance Structure



# CORPORATE Governance Report

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

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

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

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





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

## Composition of the Board and Board Committees




### Board

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





### Audit Committee

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




### Nomination Committee

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




### Remuneration Committee

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

### Executive Committee

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

### Risk Management Committee

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

Note:

  Male   Female

 Executive Director (ED)

 Non-executive Director (NED)

 Independent non-executive Director (INED)

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

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



# CORPORATE Governance Report

## Independence

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

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



## Board Diversity

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

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

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

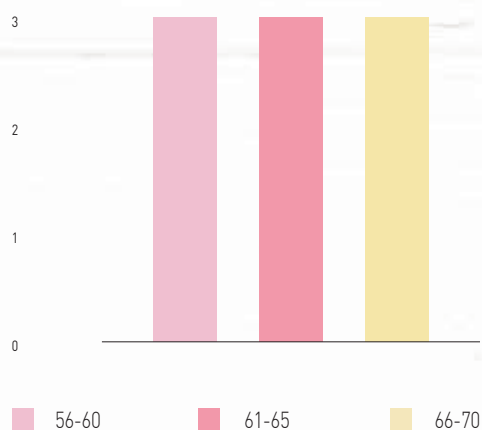
In addition to the appointment of women as directors, our current Board consists of members from a diverse background with a balance of skills and experience to oversee the business of the Group. They include persons with a wealth of practical experience in the retail industry, legal profession, accountancy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

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

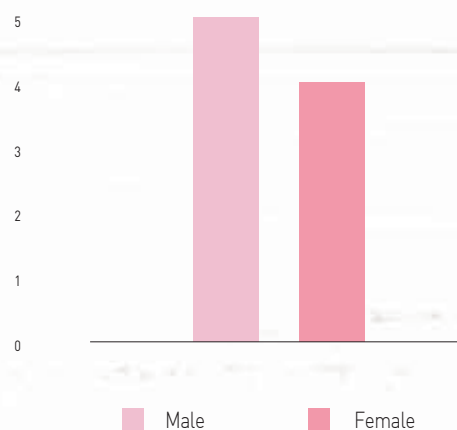
We will continue to review our Board's composition and diversity regularly to ensure that we have the right balance as we move forward. However, Board appointments will continue to be made on the basis of merit and the potential contributions that selected candidates will offer to the Board.

## Areas of Diversity

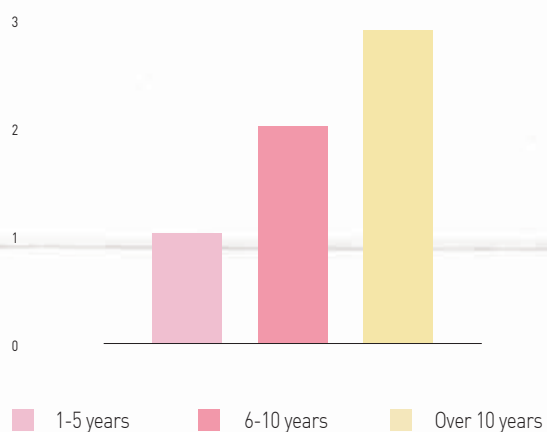
### Age Group



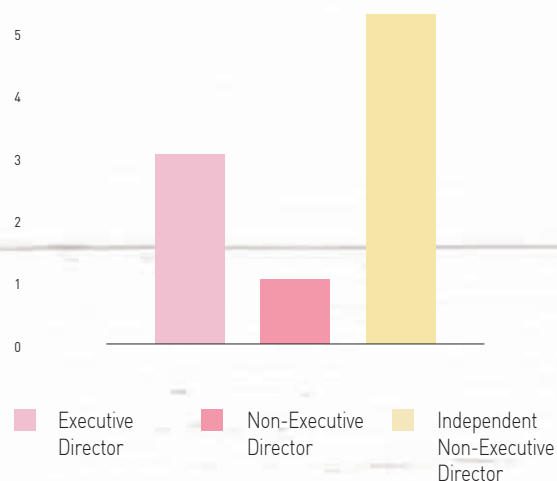
### Gender



### Length of Services of Non-executive directors



### Designation



## Key Areas of Expertise

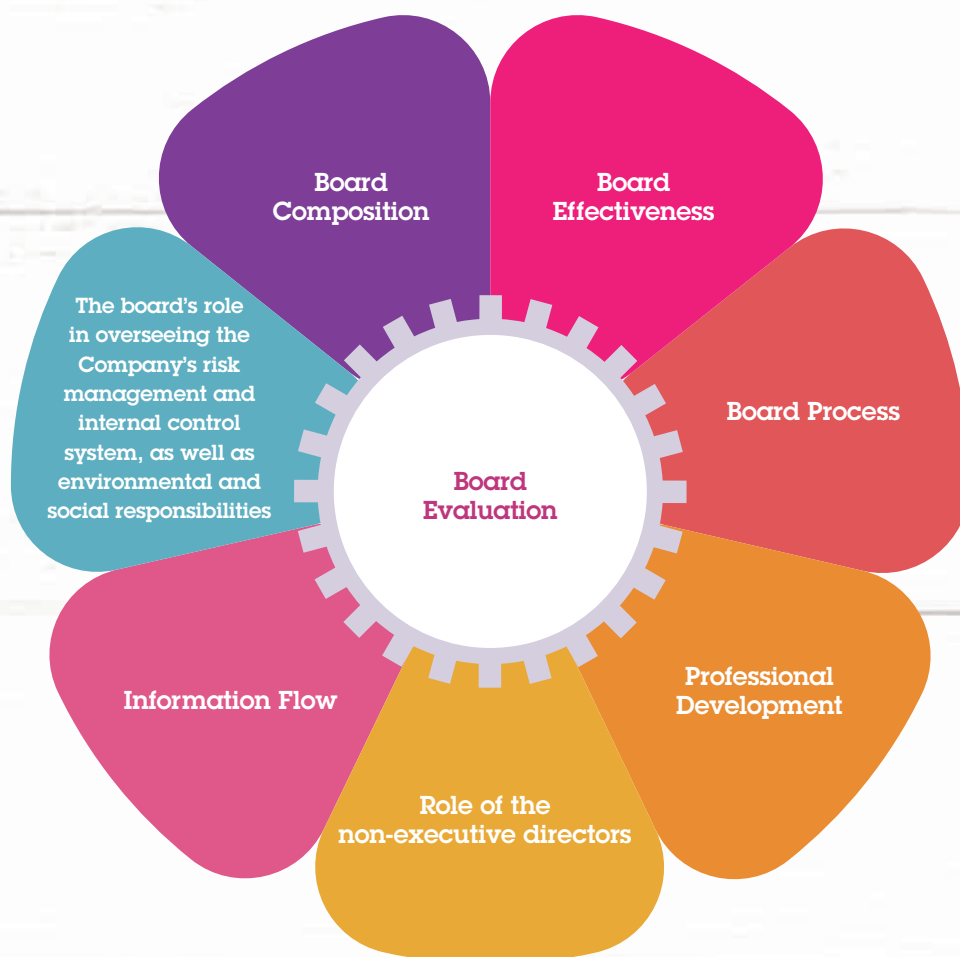
- Accounting and Finance
- Retail
- Sales & Marketing
- Human Resources/Administration/Management
- Legal Profession



# CORPORATE Governance Report

## Board Evaluation

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



## Appointment and Re-election of Directors

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

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

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

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



## Clear Division of Responsibilities

### Between Chairman and Chief Executive Officer

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

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

### Chairman

### CEO

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

*making life beautiful*



## CORPORATE Governance Report

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

### Executive Directors

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

### Non-Executive Directors (including INEDs)

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

### The Board and the Management

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

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

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

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

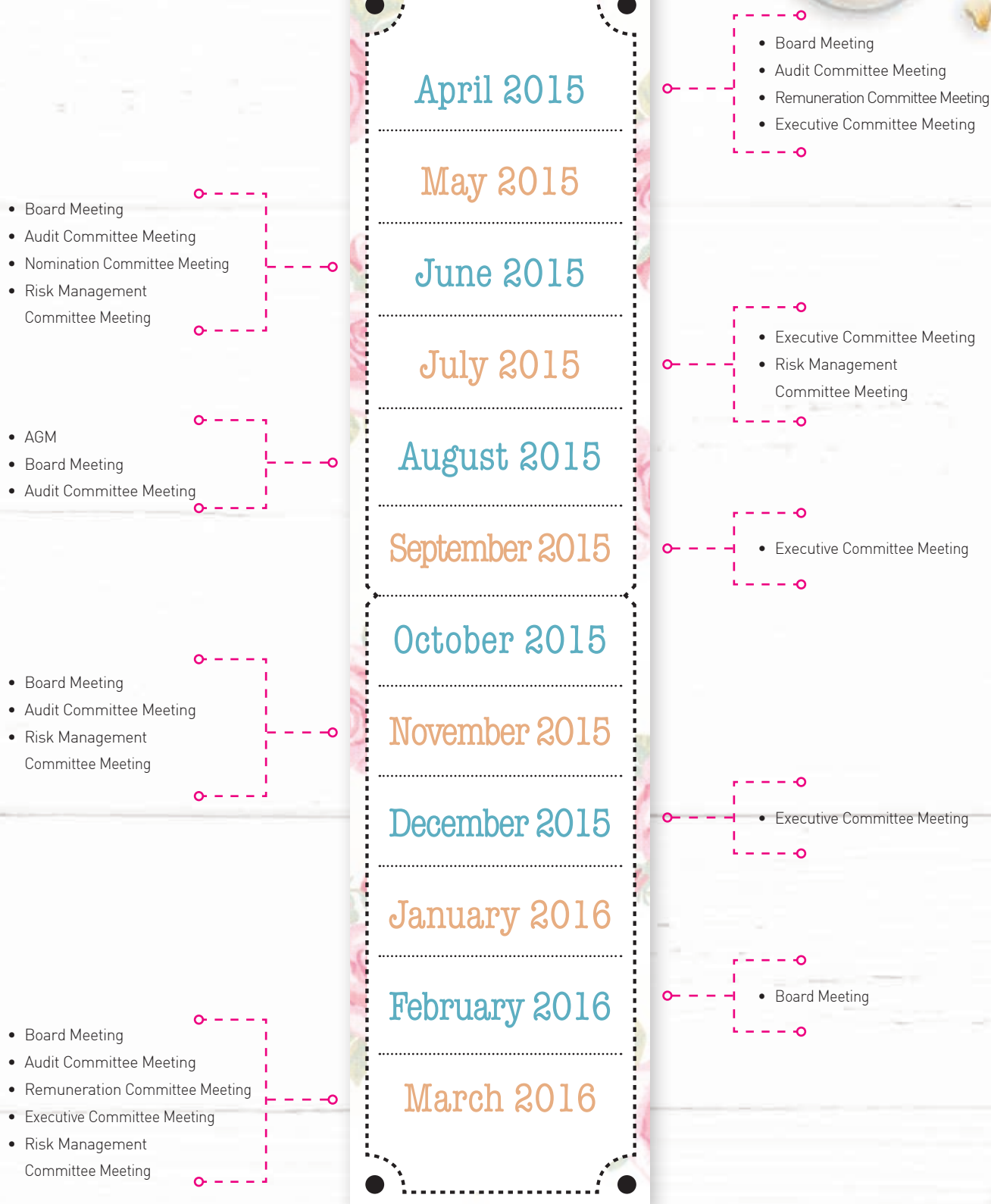
Members of our management are frequently invited to attend Board meetings to report and engage in discussion with the Board in respect of strategy, budget planning, progress and performance updates to ensure that the Board has a general understanding of the Group's business and to enable them to make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

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

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



## Board Calendar for the year ended 31 March 2016



## CORPORATE Governance Report

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

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



## Delegation by the Board

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

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

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


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

## Audit Committee



### Committee Members:

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

- 
- All members are INEDs
  - Chaired by an INED

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

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

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



## CORPORATE Governance Report

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

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

## Remuneration Committee

### Committee Members:

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

- Majority are INEDs
- Chaired by an INED

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

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

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

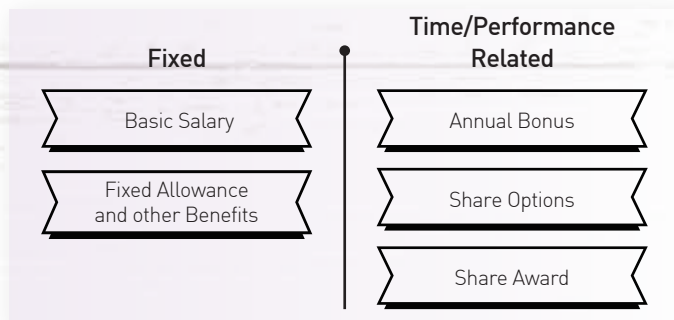
- ✓ Consulted the Board Chairman about remuneration proposals for other executive directors.
- ✓ Reviewed the remuneration surveys conducted by independent external consultants of companies operating in similar businesses and on a similar scale.
- ✓ Reviewed analysis and proposals for the remuneration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

# CORPORATE Governance Report

## Remuneration of Directors and Senior Management

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

## Remuneration of Executive Director and Senior Management



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

## Nomination Committee



### Committee Members:

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

- Majority are INEDs
- Chaired by an INED

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

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

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



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

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

## Executive Committee

### Committee Members:

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

- All EDs

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

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

Board

Executive  
Committee

Management

## CORPORATE Governance Report

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

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

### Risk Management Committee

#### Committee Members:

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

- All EDs

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

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

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

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

### Board, Board Committee and Annual General Meeting Attendance

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

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

Notes:

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

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

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

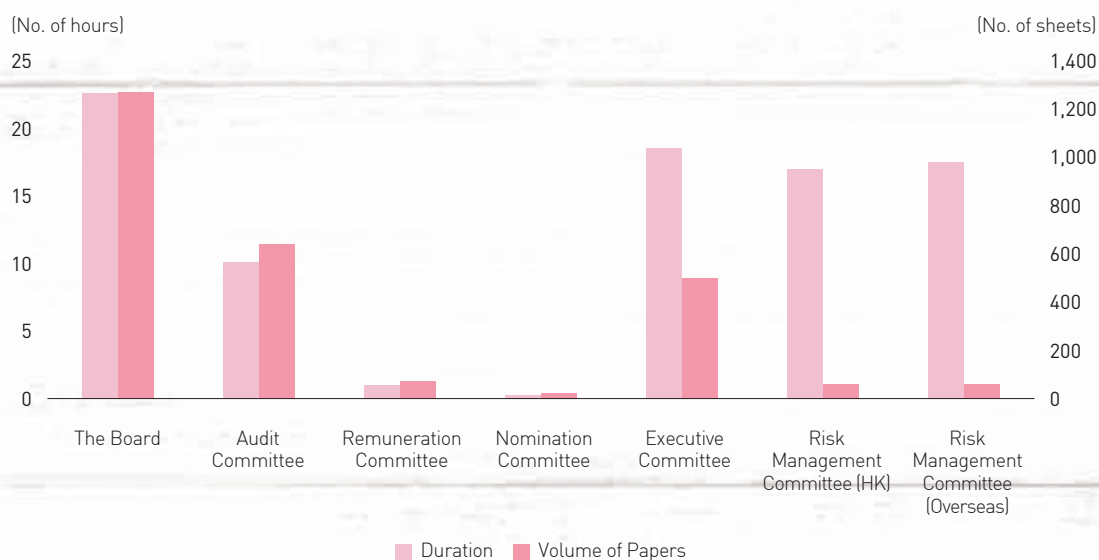
When directors are unable to attend a Board or Board Committee meeting, they have the opportunity beforehand to review the relevant papers and discuss any agenda items or provide comments to share with the Chairman, or Committee Chairman, as appropriate.



# CORPORATE Governance Report

## Time Commitment of Directors

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



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

## Meeting Process of the Board and Board Committees

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

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

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

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



## Model Code for Securities Transactions by Directors

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

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

## Directors' and Officers' Insurance

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

## Conflicts of Interest

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

# CORPORATE Governance Report

## Induction and Continuous Professional Development

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




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

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

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

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

**Types of Continuous Professional Development**

|                                 |                          |  |                        |
|---------------------------------|---|--|---|
|                                 | Attending director's training, seminar or conferences related to directors' duties or other relevant topics | Reviewing legislative or regulatory updates  | Reviewing information relevant to the Company or its business, or attending corporate events or shop visits |
| Dr KWOK Siu Ming Simon          | ✓   | ✓  | ✓   |
| Dr KWOK LAW Kwai Chun Eleanor   | ✓   | ✓  | ✓   |
| Dr LOOK Guy                     | ✓   | ✓  | ✓   |
| Ms LEE Yun Chun Marie-Christine | ✓   | ✓  | ✓   |
| Professor CHAN Yuk Shee         | ✓   | ✓  | ✓   |
| Dr LEUNG Kwok Fai Thomas        | ✓   | ✓  | ✓   |
| Ms TAM Wai Chu Maria            | ✓   | ✓  | ✓   |
| Ms KI Man Fung Leonie           | ✓   | ✓  | ✓   |
| Mr TAN Wee Seng                 | ✓   | ✓  | ✓   |



## Other Training and Compliance Programmes

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

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

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

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

## Communication with Shareholders

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

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

## Public Float Capitalisation

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





## CORPORATE Governance Report

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### Company Secretary

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

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

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### The Auditor

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

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

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

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



## Risk Management and Internal Controls

The Board is accountable for overseeing the Group's risk management and internal control systems and reviewing its effectiveness, while the management and other personnel are responsible for implementing and maintaining a robust system of internal controls that covers governance, compliance, risk management, financial as well as operational controls to safeguard the Group's assets and stakeholders' interests. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute assurance of the following:

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

The Board has delegated to the Executive Committee the responsibility to design, operate and monitor a suitable system of internal controls for identifying and evaluating the risks and probable exposures faced by the Group. The Executive Committee is accountable to the Board for providing assurance on managing and monitoring the system of risk management and internal controls.

## Risk Management Framework

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

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

## CORPORATE Governance Report

### Quality Management System

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

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

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

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

### Internal Audit Function

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

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

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



## Internal Audit Activities

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

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

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

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

## Review of Risk Management and Internal Control Effectiveness

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

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

## Directors' Acknowledgement

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