

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 of Hong Kong Limited.

As at 31 March 2016, 48.9% of the total issued shares of the Company were owned by Sunrise Height Incorporated, a company incorporated in the British Virgin Islands. The directors regard Sunrise Height Incorporated, which is owned 50.0% each by Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor, as being the ultimate holding company of the Company.

These consolidated financial statements are presented in thousands of Hong Kong dollar (HK\$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 23 June 2016.

2 Revenue and turnover

Accounting Policy

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership which generally coincides with the time of the payment in cash or by credit cards for retail sale. For wholesale and internet transactions, revenue is recognised at the point that risks and rewards of the inventory have passed to the customer, which is the point of dispatch. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

Slide display rental income is recognised on an accrual basis in accordance with the terms of the relevant agreements.

Sub-lease income is recognised in the income statement on a straight-line basis over the term of the operating lease.

The Group operates the "Customer Loyalty Programme" where certain customers accumulate points for purchases made which entitle them to purchase goods for free or at a discounted price. The award points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale such that the award points are recognised at their fair value. Revenue from the award points is recognised when the points are redeemed or expired. The amount of initial revenue recognised is based on the number of points redeemed relative to the total number expected to be redeemed. The maximum life of award points is up to 12 months from date of issue and there were no material award points outstanding as at year end.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

2 Revenue and turnover (continued)

The Group is principally engaged in the retailing and wholesaling of cosmetic products. Turnover represents the sales of goods to customers. An analysis of revenues recognised during the year is as follows:

	2016 HK\$'000	2015 HK\$'000
Turnover		
Retail and wholesale	7,845,875	8,992,837
Other income		
Slide display rental income	62,767	62,376
Sub-lease income	54,612	56,069
	117,379	118,445
	7,963,254	9,111,282

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

Segment assets consist primarily of property, plant and equipment, inventories, receivables and operating cash. Capital expenditure comprises additions to property, plant and equipment.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

3 Segment information (continued)

The Group is mainly domiciled in Hong Kong & Macau. The breakdown of key segment information including total turnover from external customers is disclosed below.

For the year ended 31 March 2016				
	Hong Kong & Macau HK\$'000	Mainland China HK\$'000	All other segments HK\$'000	Total HK\$'000
Turnover	6,315,567	303,803	1,226,505	7,845,875
Segment results	465,700	(39,640)	(42,590)	383,470
Other information				
Capital expenditure	60,159	11,632	45,244	117,035
Finance income	7,075	381	1,924	9,380
Income tax expense	86,591	–	394	86,985
Depreciation	80,905	11,107	31,279	123,291
Impairment of property, plant and equipment	7,776	2,298	7,175	17,249

For the year ended 31 March 2015				
	Hong Kong & Macau HK\$'000	Mainland China HK\$'000	All other segments HK\$'000	Total HK\$'000
Turnover	7,356,718	346,962	1,289,157	8,992,837
Segment results	877,762	(30,766)	(8,185)	838,811
Other information				
Capital expenditure	81,756	21,586	46,551	149,893
Finance income	14,558	778	2,826	18,162
Finance costs	458	–	–	458
Income tax expense	163,240	–	7,441	170,681
Depreciation	104,879	18,137	39,517	162,533
Impairment of property, plant and equipment	14,535	7,978	11,806	34,319

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

3 Segment information (continued)

	Hong Kong & Macau HK\$'000	Mainland China HK\$'000	All other segments HK\$'000	Total HK\$'000
At 31 March 2016				
Non-current assets	382,529	24,444	96,928	503,901
Current assets	1,877,528	161,389	428,685	2,467,602
				2,971,503
At 31 March 2015				
Non-current assets	418,503	28,104	96,475	543,082
Current assets	2,177,511	206,728	462,752	2,846,991
				3,390,073

4 Other gains – net

	Significant Accounting Policies No. 8	
	2016 HK\$'000	2015 HK\$'000
Net exchange gains	3,440	752

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

5 Expenses by nature

	2016 HK\$'000	2015 HK\$'000
Cost of inventories sold	4,414,612	4,906,235
Employee benefit expenses (including directors' emoluments) (Note 6)	1,076,959	1,142,540
Operating lease rentals in respect of land and buildings		
– minimum lease payments	947,388	922,580
– contingent rent	65,775	83,404
Advertising and promotion expenses	140,868	167,019
Depreciation of property, plant and equipment (Note 12)	123,291	162,533
Building management fees, government rent and rates	91,005	84,908
Provision for slow moving inventories and stock shrinkage (Note 15)	85,254	47,355
Utilities and telecom	63,339	66,622
Sub-lease expenses	54,304	57,133
Repair and maintenance	43,031	36,124
Impairment and write-off of property, plant and equipment (Note 12)	19,916	37,472
Donations	4,740	5,420
Auditors' remuneration		
– audit services	3,616	3,685
– non-audit services	1,369	2,543
Others	370,152	394,673
	7,505,619	8,120,246
Representing:		
Cost of sales	4,499,866	4,953,590
Selling and distribution costs	2,664,059	2,816,699
Administrative expenses	341,694	349,957
	7,505,619	8,120,246

6 Employee benefit expenses (including directors' emoluments)

	Significant Accounting Policies No. 9	
	2016 HK\$'000	2015 HK\$'000
Directors' fees	1,763	1,736
Basic salaries, bonuses, housing allowances, other allowances and benefits-in-kind	1,010,544	1,066,465
Provision for unutilised annual leave	5,466	6,113
Retirement benefit costs (Note 22(b))	53,448	55,164
Share-based payment	5,738	13,062
	1,076,959	1,142,540

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

7 Director and senior management emoluments

(a) Directors' emoluments

Directors' emoluments comprise of payments to the Company's directors (including the five highest paid individuals in the Group) in connection with management of affairs of the Company and the Group. The non-executive directors receive an annual director's fee of HK\$257,400 (2015: 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\$70,000 and HK\$50,000 respectively.

The aggregate amounts of emoluments payable to the directors of the Company during the year were as follows:

	2016 HK\$'000	2015 HK\$'000
Directors' fees	1,763	1,736
Basic salaries, housing allowances, other allowances and benefits-in-kind	8,632	8,632
Discretionary bonuses	454	454
Retirement benefit costs	605	605
Share-based payment	460	5,675
	11,914	17,102

The remuneration of each director of the Company during the year ended 31 March 2016 was set out below:

	Directors' fees HK\$'000	Basic salaries, housing allowances, other allowances and benefits-in-kind HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit costs HK\$'000	Share-based payment (i) HK\$'000	Total HK\$'000
Executive Directors						
Dr KWOK Siu Ming Simon (iii)	-	2,858	238	200	-	3,296
Dr KWOK LAW Kwai Chun Eleanor	-	2,594	216	182	-	2,992
Dr LOOK Guy	-	3,180	-	223	460	3,863
Non-executive Director						
Ms LEE Yun Chun Marie-christine	257	-	-	-	-	257
Independent Non-executive Directors						
Professor CHAN Yuk Shee	328	-	-	-	-	328
Dr LEUNG Kwok Fai Thomas	307	-	-	-	-	307
Ms TAM Wai Chu Maria	307	-	-	-	-	307
Ms KI Man Fung Leonie	307	-	-	-	-	307
Mr TAN Wee Seng	257	-	-	-	-	257
	1,763	8,632	454	605	460	11,914

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

7 Director and senior management emoluments (continued)

(a) Directors' emoluments (continued)

The remuneration of each director of the Company during the year ended 31 March 2015 was set out below:

	Directors' fees HK\$'000	Basic salaries, housing allowances, other allowances and benefits- in-kind HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit costs HK\$'000	Share-based payment (i) HK\$'000	Total HK\$'000
Executive Directors						
Dr KWOK Siu Ming Simon (iii)	-	2,858	238	200	-	3,296
Dr KWOK LAW Kwai Chun Eleanor	-	2,594	216	182	-	2,992
Dr LOOK Guy	-	3,180	-	223	5,675	9,078
Non-executive Director						
Ms LEE Yun Chun Marie-christine	257	-	-	-	-	257
Independent Non-executive Directors						
Professor CHAN Yuk Shee	319	-	-	-	-	319
Dr LEUNG Kwok Fai Thomas	304	-	-	-	-	304
Ms TAM Wai Chu Maria	304	-	-	-	-	304
Ms KI Man Fung Leonie	295	-	-	-	-	295
Mr TAN Wee Seng	257	-	-	-	-	257
	1,736	8,632	454	605	5,675	17,102

Notes:

- (i) Share-based payment represents amortisation to the income statement of the fair value of share options measured at the respective grant dates, regardless of whether the share options would be exercised or not.
- (ii) During the years ended 31 March 2016 and 2015, no share options were granted to the executive director under the 2002 Share Option Scheme and the 2012 Share Option Scheme.
- (iii) Dr KWOK Siu Ming Simon is the Chief Executive Officer of the Company.

No compensation for loss of office has been paid to the directors for the years ended 31 March 2016 and 2015.

No director of the Company waived any emoluments during the years ended 31 March 2016 and 2015.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

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 (2015: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2015: two) individuals during the year were as follows:

	2016 HK\$'000	2015 HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	3,564	3,283
Discretionary bonuses	797	274
Retirement benefit costs	249	230
Share-based payment	731	783
	5,341	4,570

The emoluments of the individuals fell within the following bands:

Emoluments bands	Number of individuals	
	2016	2015
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$2,500,001 – HK\$3,000,000	2	1
	2	2

(c) Senior management emoluments

The details of the senior management emoluments payable during the year were as follows:

	2016 HK\$'000	2015 HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	4,608	4,429
Discretionary bonuses	959	375
Retirement benefit costs	323	263
Share-based payment	610	276
	6,500	5,343

One (2015: one) of the senior management emoluments are included in the analysis presented in Note 7(b) above.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

7 Director and senior management emoluments (continued)

(c) Senior management emoluments (continued)

The emoluments of the individuals fell within the following bands:

Emoluments bands	Number of individuals	
	2016	2015
HK\$1,500,001 – HK\$2,000,000	2	3
HK\$2,000,001 – HK\$2,500,000	1	–
	3	3

8 Finance income and costs

Accounting Policy

Interest income is recognised on a time-proportion basis using the effective interest method.

Borrowing costs are recognised as expenses in the period in which they are incurred, except to the extent that they are capitalised when they are directly attributable to the acquisition, construction or production of qualifying assets.

	2016 HK\$'000	2015 HK\$'000
Finance income:		
Interest income on bank deposits	6,633	15,462
Others	2,747	2,700
	9,380	18,162
Finance costs on bank borrowings wholly repayable within one year	–	(458)
Finance income – net	9,380	17,704

9 Income tax expense

Accounting Policy

The tax expense for the year comprise of current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

9 Income tax expense (continued)

Hong Kong profits tax has been provided for at the rate of 16.5% (2015: 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.

	2016 HK\$'000	2015 HK\$'000
Current tax:		
Hong Kong profits tax		
Current	61,433	144,778
Over-provision in previous years	(321)	(173)
Overseas taxation		
Current	27,982	35,894
(Over)/under-provision in previous years	(139)	88
Total current tax	88,955	180,587
Deferred tax (Note 14):		
Origination and reversal of temporary differences	(1,970)	(10,076)
Impact of change in Malaysia tax rate	–	170
Total deferred tax	(1,970)	(9,906)
Income tax expense	86,985	170,681

The income tax expense on the Group's profit before income tax differs from the theoretical amount that would arise using the profits rate of Hong Kong as follows:

	2016 HK\$'000	2015 HK\$'000
Profit before income tax	470,455	1,009,492
Tax calculated at a taxation rate of 16.5% (2015: 16.5%)	77,625	166,566
Effect of different taxation rates in other countries	(7,091)	(8,228)
Income not subject to income tax	(2,159)	(3,712)
Expenses not deductible for income tax purposes	4,175	4,466
Unrecognised tax losses	14,895	11,504
Re-measurement of deferred tax – change in tax rate	–	170
Over-provision in previous years	(460)	(85)
Income tax expense	86,985	170,681

The effective tax rate was 18.5% (2015: 16.9%).

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

10 Earnings per share

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

	2016 HK\$'000	2015 HK\$'000
Profit attributable to owners of the Company	383,470	838,811
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the year (thousands)	2,854,155	2,843,383

- (b) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options and shares held under the Share Award Scheme during the year. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. For shares held under the Share Award Scheme, awarded shares granted to the employees but not yet vested as at 31 March 2016 has been included in the number of shares.

	2016 HK\$'000	2015 HK\$'000
Profit attributable to owners of the Company	383,470	838,811
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the year (thousands)	2,854,155	2,843,383
Adjustment for share options and awarded shares (thousands)	1,127	4,248
Weighted average number of ordinary shares for diluted earnings per share (thousands)	2,855,282	2,847,631

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

11 Dividends

Accounting Policy

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

	2016 HK\$'000	2015 HK\$'000
Interim, paid – 5.0 HK cents (2015: 5.0 HK cents) per share	142,234	142,230
Special, paid – 4.0 HK cents (2015: 4.0 HK cents) per share	113,788	113,784
Final, proposed – 9.0 HK cents (2015: 9.0 HK cents) per share	260,292	256,021
Special, proposed – 5.5 HK cents (2015: 5.5 HK cents) per share	159,067	156,458
	675,381	668,493

For interim and special interim dividends, scrip dividend elections were offered to all shareholders. At a meeting held on 23 June 2016, the directors proposed a final dividend of 9.0 HK cents and a special final dividend of 5.5 HK cents per share. The final and special final dividends will be payable in cash with a scrip dividend alternative. These proposed dividends have not been reflected as dividend payables in these consolidated financial statements, but will be reflected as an appropriation of distributable reserve for the year ending 31 March 2017 if approved by the shareholders.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

12 Property, plant and equipment

Accounting Policy

Land and buildings mainly comprise of offices. Leasehold land classified as finance lease and all other property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Leasehold land classified as finance lease commences depreciation from the time when the land interest becomes available for its intended use. Depreciation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Over remaining lease term
Buildings	20-36 years
Leasehold improvements	1-6 years
Equipment, furniture and fixtures	3-5 years
Motor vehicles and vessel	4-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Significant Accounting Policies No. 6).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised in the income statement.

Please refer to Critical Accounting Estimates and Judgements (ii) and (v) for estimates and judgements on impairment for plant and equipment and useful lives, residual values and depreciation of property, plant and equipment.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

12 Property, plant and equipment (continued)

	Land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Equipment, furniture and fixtures HK\$'000	Motor vehicles and vessel HK\$'000	Total HK\$'000
At 31 March 2014					
Cost	181,494	591,259	242,322	22,805	1,037,880
Accumulated depreciation and impairment	(37,855)	(418,428)	(159,278)	(16,883)	(632,444)
Net book amount	143,639	172,831	83,044	5,922	405,436
Year ended 31 March 2015					
Opening net book amount	143,639	172,831	83,044	5,922	405,436
Exchange differences	–	(1,139)	(2,455)	(22)	(3,616)
Additions	9,297	103,863	34,054	2,679	149,893
Disposals	–	(150)	(65)	–	(215)
Write-off	–	(2,163)	(990)	–	(3,153)
Depreciation	(5,754)	(112,288)	(40,866)	(3,625)	(162,533)
Impairment losses	–	(27,985)	(6,334)	–	(34,319)
Closing net book amount	147,182	132,969	66,388	4,954	351,493
At 31 March 2015					
Cost	190,790	630,946	255,500	23,161	1,100,397
Accumulated depreciation and impairment	(43,608)	(497,977)	(189,112)	(18,207)	(748,904)
Net book amount	147,182	132,969	66,388	4,954	351,493
Year ended 31 March 2016					
Opening net book amount	147,182	132,969	66,388	4,954	351,493
Exchange differences	–	(2,299)	(1,671)	(14)	(3,984)
Additions	–	80,636	35,397	1,002	117,035
Disposals	–	(19)	(138)	(91)	(248)
Write-off	–	(1,439)	(1,228)	–	(2,667)
Depreciation	(5,629)	(79,919)	(35,482)	(2,261)	(123,291)
Impairment losses	–	(14,961)	(2,288)	–	(17,249)
Closing net book amount	141,553	114,968	60,978	3,590	321,089
At 31 March 2016					
Cost	190,790	628,939	273,032	21,772	1,114,533
Accumulated depreciation and impairment	(49,237)	(513,971)	(212,054)	(18,182)	(793,444)
Net book amount	141,553	114,968	60,978	3,590	321,089

- (a) The land and buildings are situated in Hong Kong and held under medium term leases between 10 to 50 years.
- (b) Depreciation expense of HK\$96,944,000 (2015: HK\$132,487,000) was included in selling and distribution costs and HK\$26,347,000 (2015: HK\$30,046,000) was included in administrative expenses.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

12 Property, plant and equipment (continued)

- (c) The Group regards its individual retail stores as separately identifiable cash-generating units. Due to loss-making results of certain cash-generating units, the Group assessed that the carrying amounts of those cash-generating units cannot be fully recovered and were impaired. As a result, during the year ended 31 March 2016, the carrying amount of the certain cash-generating units of HK\$17,249,000 (2015: HK\$34,319,000) was impaired. An impairment loss of HK\$17,249,000 (2015: HK\$34,319,000) was recognised in selling and distribution costs. The estimates of the recoverable amounts were based on value-in-use estimations. These estimations use cash flow projections discounted by the weighted average cost of capital of the Group based on the financial forecasts approved by management covering the cash-generating units' remaining lease terms but not more than 5 years.

13 Rental deposits, prepayments and other assets

	Significant Accounting Policies No. 7	
	2016 HK\$'000	2015 HK\$'000
Rental and other deposits	160,359	167,823
Prepayments	1,115	4,311
Others	5,552	5,552
	167,026	177,686

Rental deposits are carried at amortised cost using the effective interest rate of 0.63% to 1.39% per annum (2015: 0.63% to 1.39% per annum). As at 31 March 2016, the carrying amounts of rental deposits approximate their fair values.

14 Deferred tax

Accounting Policy

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

14 Deferred tax (continued)

Accounting Policy (continued)

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 tax is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2015: 16.5%).

The movement in net deferred tax assets account is as follows:

	2016 HK\$'000	2015 HK\$'000
At beginning of the year	13,652	4,113
Deferred tax credited to the income statement (Note 9)	1,970	10,076
Change in tax rate	–	(170)
Exchange differences	(268)	(367)
At end of the year	15,354	13,652

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	2016 HK\$'000	2015 HK\$'000
Deferred tax assets	15,786	13,903
Deferred tax liabilities	(432)	(251)
	15,354	13,652

As at 31 March 2016, except for the deferred tax assets on certain provisions may be expected to be recoverable within 12 months, substantially all remaining balances of other deferred tax assets and liabilities were expected to be recoverable more than 12 months.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

14 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		Provisions		Tax losses		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of the year	8,490	1,216	5,650	5,206	426	207	14,566	6,629
Credited/(charged) to the income statement	2,385	7,027	(224)	1,228	(143)	219	2,018	8,474
Change in tax rate	-	(1)	-	(169)	-	-	-	(170)
Exchange differences	(18)	248	(250)	(615)	-	-	(268)	(367)
At end of the year	10,857	8,490	5,176	5,650	283	426	16,316	14,566

Deferred tax liabilities	Accelerated tax depreciation	
	2016	2015
	HK\$'000	HK\$'000
At beginning of the year	914	2,516
Charged/(credited) to the income statement	48	(1,602)
At end of the year	962	914

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\$59,587,000 (2015: HK\$49,459,000) in respect of tax losses amounting to HK\$243,540,000 (2015: HK\$198,644,000) and capital allowances amounting to HK\$26,806,000 (2015: HK\$24,344,000) that can be carried forward against future taxable income. Tax losses amounting to HK\$190,455,000 (2015: HK\$163,890,000) and HK\$6,054,000 (2015: HK\$5,865,000) will expire within 1-5 years and 5-10 years respectively from 31 March 2016. The remaining tax losses have no expiry date.

15 Inventories

Accounting Policy

Inventories comprise merchandise and are stated at the lower of cost and net realisable value.

Cost represents the invoiced cost of inventories plus the applicable freight and duties. Costs are assigned to individual items on the weighted-average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges purchases of inventories.

Please refer to Critical Accounting Estimates and Judgements (iii) for estimates and judgements on write-downs of inventories to net realisable value.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

15 Inventories (continued)

	2016 HK\$'000	2015 HK\$'000
Merchandise for resale	1,102,385	1,382,775

The cost of inventories recognised as expense and included in cost of sales amounted to HK\$4,414,612,000 (2015: HK\$4,906,235,000).

During the year, the Group has made a provision of HK\$85,254,000 for slow moving inventories and stock shrinkage (2015: HK\$47,355,000). The amount was included in cost of sales in the consolidated income statement.

16 Trade receivables

Accounting Policy

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Please refer to Significant Accounting Policies No.7 (iii) for policies on impairment of financial assets.

	2016 HK\$'000	2015 HK\$'000
Trade receivables	81,368	52,280
Less: provision for impairment losses on trade receivables	(2,218)	(788)
Trade receivables – net	79,150	51,492

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 90 days. The ageing analysis based on invoice date of gross trade receivables is as follows:

	2016 HK\$'000	2015 HK\$'000
Within 1 month	48,968	47,861
1 to 3 months	29,880	3,472
Over 3 months	2,520	947
	81,368	52,280

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS**

16 Trade receivables (continued)

As at 31 March 2016, trade receivables of HK\$28,670,000 (2015: HK\$3,622,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2016 HK\$'000	2015 HK\$'000
1 to 3 months	28,190	3,463
Over 3 months	480	159
	28,670	3,622

Trade receivables are denominated in the following currencies:

	2016 HK\$'000	2015 HK\$'000
Hong Kong dollar	46,924	22,450
Renminbi	18,806	14,039
New Taiwan dollar	9,824	12,156
Others	3,596	2,847
	79,150	51,492

Movement in the Group's provision for impairment of trade receivables is as follows:

	2016 HK\$'000	2015 HK\$'000
At 1 April	788	400
Provision for impairment	1,865	540
Receivable written off during the year as uncollectible	(410)	(150)
Exchange differences	(25)	(2)
At 31 March	2,218	788

During the year, the Group has made a provision for impairment losses on trade receivables of HK\$1,865,000 (2015: HK\$540,000). The provision has been included in selling and distribution costs.

The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to the historical information about counterparty default rates. The existing counterparties do not have significant default in the past. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

The maximum exposure to credit risk at the reporting date is the carrying value of trade and other receivables. The Group does not hold any collateral as security.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

17 Other receivables, deposits and prepayments

Accounting Policy

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

If collection of other receivables is expected to be in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Please refer to Significant Accounting Policies No.7 (iii) for policies on impairment of financial assets.

	2016 HK\$'000	2015 HK\$'000
Rental and other deposits	138,515	140,309
Prepayments	37,653	83,018
Forward foreign exchange contracts (Note 21)	63	125
Other receivables and payment in advance	30,829	25,594
	207,060	249,046

The carrying amounts of other receivables and deposits approximate their fair values.

18 Cash and bank balances

Accounting Policy

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

	2016 HK\$'000	2015 HK\$'000
Time deposits	393,244	643,976
Cash at bank and on hand	312,782	382,663
Short-term bank deposits	372,981	137,039
Cash and cash equivalents	685,763	519,702
Total	1,079,007	1,163,678

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

18 Cash and bank balances (continued)

Cash and bank balances are denominated in the following currencies:

	2016 HK\$'000	2015 HK\$'000
Hong Kong dollar	838,677	839,515
Renminbi	48,267	78,985
US dollar	40,651	26,987
Malaysian Ringgit	40,058	84,252
Singapore dollar	37,484	57,017
Macau Pataca	34,612	12,102
Swiss Franc	21,051	26,845
New Taiwan dollar	14,677	25,496
Euro	108	7,356
Others	3,422	5,123
	1,079,007	1,163,678

The year-end effective interest rate on time deposits over three months was 1.02% per annum (2015: 1.52% per annum). These deposits have an average maturity of 7 months (2015: 6 months).

The year-end effective interest rate on short-term bank deposits was 0.81% per annum (2015: 2.45% per annum). These deposits have an average maturity of 1 month (2015: 1 month).

As at 31 March 2016, out of the total cash and bank balances, approximately HK\$44,195,000 (2015: HK\$68,789,000) were kept in Mainland China and Malaysia. The remittance of these funds out of Mainland China and Malaysia is subject to applicable foreign exchange restrictions imposed by the respective local governments.

19 Trade payables

Accounting Policy

Trade payables are obligations to pay for goods that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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

	2016 HK\$'000	2015 HK\$'000
Within 1 month	148,644	328,837
1 to 3 months	85,320	144,030
Over 3 months	27,531	23,329
	261,495	496,196

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

19 Trade payables (continued)

The carrying amounts of trade payables approximate their fair values.

Trade payables are denominated in the following currencies:

	2016 HK\$'000	2015 HK\$'000
Hong Kong dollar	169,009	288,426
Renminbi	39,945	36,238
New Taiwan dollar	19,414	27,392
Singapore dollar	13,021	15,629
Malaysian Ringgit	7,899	18,525
US dollar	5,901	35,638
Swiss Franc	3,831	24,581
Euro	1,829	44,084
Others	646	5,683
	261,495	496,196

20 Other payables and accruals

Accounting Policy

Other payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

	2016 HK\$'000	2015 HK\$'000
Accrued staff costs	110,084	115,216
Accrued rental related expenses	32,159	40,926
Accrued advertising and promotion expenses	21,266	28,636
Customers' deposits and temporary receipts	44,196	27,859
Value-added tax and other tax payables	14,380	11,521
Accrued capital expenditure	17,687	21,968
Forward foreign exchange contracts (Note 21)	16	203
Other payables and accruals	81,519	81,861
	321,307	328,190

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

21 Forward foreign exchange contracts

Accounting Policy

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements on the hedging reserve in shareholders' equity are shown in Note 24. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Cash flow hedges

In the current year, the Group designated certain forward foreign exchange contracts as cash flow hedges to hedge against the Group's purchases denominated in Euro, Swiss Franc and Japanese Yen. The Group designates certain derivatives as cash flow hedge: hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within "other gains – net".

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast purchase that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example inventory), the gains and losses previously deferred in hedging reserve are transferred from hedging reserve and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold when these inventory are sold.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time, is recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in hedging reserve is immediately transferred to the income statement within "other gains – net".

(b) Derivatives not qualifying for hedge accounting or held for trading purposes

Certain derivatives instruments do not qualify for hedge accounting. Any gains or losses arising from the change in the fair value of derivatives that do not qualify for hedge accounting is recognised immediately in the income statement within 'other gains – net'.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

21 Forward foreign exchange contracts (continued)

	2016		2015	
	Current assets HK\$'000	Current liabilities HK\$'000	Current assets HK\$'000	Current liabilities HK\$'000
Forward foreign exchange contracts – cash flow hedge	63	16	125	203

The maturity dates of the outstanding forward foreign exchange contracts are within one year and are classified as current assets/current liabilities.

As at 31 March 2016, the notional principal amount of the outstanding forward foreign exchange contracts under cash flow hedges was HK\$4,704,000 (2015: HK\$19,907,000). The hedges related to highly probable forecasted purchases denominated in Euro, Swiss Franc and Japanese Yen which are expected to occur at various dates within a 12-month period.

The forward foreign exchange contracts entered for the year ended 31 March 2016 were determined to be effective hedges. There was no ineffectiveness to be recognised in the consolidated income statement.

22 Retirement benefit obligations

(a) Retirement benefit obligations

	Significant Accounting Policies No. 9	
	2016 HK\$'000	2015 HK\$'000
Retirement benefit obligations (asset)/liability on:		
– defined benefit plan (Note 22 (b)(ii))	(491)	(749)
– long service payments (Note 22 (b)(iii))	9,605	6,426
	9,114	5,677

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

22 Retirement benefit obligations (continued)

(b) Retirement benefit costs

	2016 HK\$'000	2015 HK\$'000
Retirement benefit costs charged to income statement:		
Retirement benefit costs (Note 6)		
– defined contribution plans (Note 22 (b)(i))	52,967	54,719
– defined benefit plan (Note 22 (b)(ii))	(1)	16
	52,966	54,735
– long service payments (Note 22 (b)(iii))	482	429
	53,448	55,164
Retirement benefit costs charged/(credited) to other comprehensive income:		
– defined benefit plan (Note 22 (b)(ii))	375	(606)
– long service payments (Note 22 (b)(iii))	2,866	304
	3,241	(302)

Notes:

- (i) Prior to 1 December 2000, certain subsidiaries of the Group in Hong Kong operated a defined contribution retirement benefit plan ("Retirement Scheme") for the employees in Hong Kong. On 1 December 2000, the Retirement Scheme was suspended and replaced by the Mandatory Provident Fund Scheme ("MPF Scheme") mentioned below. No more contribution was made to the Retirement Scheme. The assets of the Retirement Scheme are separately controlled and administered by independent trustees. Employees who contributed to the Retirement Scheme are entitled to the retirement benefits under this Retirement Scheme as well as the MPF Scheme.

From 1 December 2000, the subsidiaries of the Group in Hong Kong elected to contribute to the 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. The forfeited contributions are to be used to reduce the employer's contribution.

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.

The Group also participates in a post-employment benefit plan and employees provident fund in Singapore and Malaysia respectively. The Group pays contribution to a separate entity and will have no legal or construction obligation to pay further amounts.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

22 Retirement benefit obligations (continued)

(b) Retirement benefit costs (continued)

Notes: (continued)

- (iii) A branch of a wholly-owned subsidiary of the Group in Taiwan participates in a central defined benefit retirement plan ("Old Retirement Plan") providing benefits to all employees in accordance with the Labor Standards Law (as amended) in Taiwan. The Group has an obligation to ensure that there are sufficient funds in the Old Retirement Plan to pay the benefits earned. The branch currently contributes at 2% of the total salaries as determined and approved by the relevant government authorities. The assets of the Old Retirement Plan are invested in an independent administered pooled funds held at Bank of Taiwan and the assets are held separately from those of the Group.

The latest actuarial valuation was prepared as at 31 March 2016 by Towers Watson Hong Kong Limited, a qualified actuary, using the projected unit credit method.

Effective from 1 July 2005, a new retirement plan ("New Retirement Plan") was launched in Taiwan, which is a defined contribution retirement benefit plan administered by the local government and followed the local statutory requirements. Employee can choose to stay in the Old Retirement Plan or participate in the New Retirement Plan.

The amounts recognised in the consolidated statement of financial position are determined as follows:

	2016 HK\$'000	2015 HK\$'000
Present value of funded obligations	2,485	2,223
Fair value of plan assets	(2,976)	(2,972)
Net asset in the statement of financial position (Note 22 (a))	(491)	(749)

The movements of defined benefit plan during the year are as follow:

	Fair value of plan assets (Asset)/liability HK\$'000	Present value of funded obligations (Asset)/liability HK\$'000	Total (Asset)/liability HK\$'000
At 1 April 2015	(2,972)	2,223	(749)
Current service cost	–	16	16
Interest (income)/expense	(66)	49	(17)
Retirement benefit costs (credited)/charged to income statement	(66)	65	(1)
Remeasurements:			
Actuarial loss – experience	–	65	65
Actuarial loss – financial assumptions	–	270	270
Return on scheme assets greater than discount rate	40	–	40
Retirement benefit costs charged to other comprehensive income	40	335	375
Employer contributions	(78)	–	(78)
Exchange difference	100	(138)	(38)
At 31 March 2016	(2,976)	2,485	(491)

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

22 Retirement benefit obligations (continued)

(b) Retirement benefit costs (continued)

Notes: (continued)

	Fair value of plan assets (Asset)/liability HK\$'000	Present value of funded obligations (Asset)/liability HK\$'000	Total (Asset)/liability HK\$'000
At 1 April 2014	(2,864)	2,702	(162)
Current service cost	–	20	20
Interest (income)/expense	(59)	55	(4)
Retirement benefit costs (credited)/charged to income statement	(59)	75	16
Remeasurements:			
Actuarial gain – experience	–	(499)	(499)
Actuarial loss – financial assumptions	–	13	13
Return on scheme assets greater than discount rate	(120)	–	(120)
Retirement benefit costs credited to other comprehensive income	(120)	(486)	(606)
Employer contributions	(61)	–	(61)
Exchange difference	132	(68)	64
At 31 March 2015	(2,972)	2,223	(749)

The principal actuarial assumptions used are as follows:

	2016 %	2015 %
Discount rate	1.3	2.3
Expected rate of future salary increases	3.0	3.3

The sensitivity of the defined benefit plan obligation to changes in the weighted principal assumption is as follows:

Assumption	Change to adopted rate	Effect on defined benefit plan obligation
Discount rate	+0.25%	-2.9%
	-0.25%	+3.0%
Expected rate of future salary increases	+0.25%	+3.0%
	-0.25%	-2.9%

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

22 Retirement benefit obligations (continued)

(b) Retirement benefit costs (continued)

Notes: (continued)

- (iii) The Group's provision for long service payments are determined based on the actuarial valuation as at 31 March 2016 prepared by Towers Watson Hong Kong Limited, a qualified actuary, using the projected unit credit method.

The movements of long service payments during the year are as follow:

	Present value of funded obligations (Asset)/liability	
	2016 HK\$'000	2015 HK\$'000
At 1 April	6,426	5,887
Current service cost	383	309
Interest cost on scheme assets	99	120
Retirement benefit costs charged to income statement	482	429
Remeasurements:		
Actuarial loss/(gain) – experience	5,105	(881)
Actuarial (gain)/loss- financial assumptions	(2,239)	1,185
Retirement benefit costs charged to other comprehensive income	2,866	304
Benefits paid directly by the employer	(169)	(194)
At 31 March	9,605	6,426

The principal actuarial assumptions used are as follows:

	2016 %	2015 %
Discount rate	1.2	1.6
Expected rate of future salary increases	3.5	4.5

The sensitivity of the long service payments to changes in the weighted principal assumption is as follows:

Assumption	Change to adopted rate	Effect on defined benefit plan obligation
Discount rate	+0.25%	-2.1%
	-0.25%	+2.2%
Expected rate of future salary increases	+0.25%	+7.9%
	-0.25%	-7.6%

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

23 Share capital

Accounting Policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Please refer to Significant Accounting Policies No.10 for details on Share Options and Share Award Scheme.

Authorised shares of HK\$0.1 each	Note	No. of shares	HK\$'000
At 31 March 2015 and 2016		8,000,000,000	800,000
Issued and fully paid shares of HK\$0.1 each			
At 1 April 2014		2,843,059,520	284,306
Issue of shares upon exercise of share options	(a)	1,624,000	162
At 31 March 2015		2,844,683,520	284,468
Issue of shares upon scrip dividend of 2015/16 interim dividend		47,448,041	4,745
At 31 March 2016		2,892,131,561	289,213

Notes:

(a) Issue of shares upon exercise of share options granted under the 2002 Share Option Scheme

No shares were issued pursuant to the 2002 Share Option Scheme during the year ended 31 March 2016. For the year ended 31 March 2015, a total of 1,624,000 shares were issued to certain employees of the Company upon exercise of the share options granted under the 2002 Share Option Scheme. The proceeds of the issues amounted to HK\$7,566,000 which included share premium in the sum of HK\$7,404,000.

(b) Share options

The 2002 Share Option Scheme was adopted on 29 August 2002 and terminated on 23 August 2012. No further options could be granted under the 2002 Share Option Scheme upon termination but the options already granted remained governed by the 2002 Share Option Scheme. The 2012 Share Option Scheme was adopted on 23 August 2012.

Under both the 2002 Share Option Scheme and the 2012 Share Option Scheme, share options may be granted to any directors (including executive, non-executive and independent non-executive directors) and employees of the Group, and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any members of the Group who the Board or a duly 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.

Out of the 35,741,988 outstanding share options (2015: 38,190,988), 29,633,988 options (2015: 21,026,990) were exercisable but not exercised. The outstanding share options of the Company were granted under the 2002 Share Option Scheme and the 2012 Share Option Scheme.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

23 Share capital (continued)

Notes: (continued)

(b) Share options (continued)

Movements in the number of share options outstanding are as follows:

	No. of share options year ended 31 March 2016	2015
At beginning of the year	38,190,988	43,012,988
Exercised	–	(1,624,000)
Lapsed	(2,449,000)	(3,198,000)
At end of the year	35,741,988	38,190,988

The expiry dates and subscription prices of the share options outstanding as at 31 March 2016 are set out as follows:

Expiry date	Subscription price per Share (HK\$)	No. of share options outstanding as at 31 March 2016	2015
2002 Share Option Scheme			
29 September 2020	3.16	602,000	642,000
16 June 2021	4.95	2,470,000	2,930,000
28 February 2022	4.77	22,145,988	22,145,988
28 June 2022	4.85	4,416,000	5,302,000
2012 Share Option Scheme			
20 June 2023	8.07	6,108,000	7,171,000
		35,741,988	38,190,988

Fair value of share options, measured at the grant date of the options, was determined using the binomial lattice model that is based on the underlying assumptions of one of the commonly used employee option pricing models. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

(c) Share award

Share Award Scheme

Pursuant to a resolution of the Board meeting dated 11 April 2014, the Board approved the adoption of the Share Award Scheme under which shares of the Company may be awarded to selected employees in accordance with its absolute discretion. The Share Award Scheme operates for 15 years starting from 11 April 2014. The maximum number of shares which may be awarded to a selected employee under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company. 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.

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.

The Group acquired 1,450,000 of its shares on the Stock Exchange on 12 September 2014 for the Share Award Scheme. The total amount paid to acquire the shares was HK\$8,531,200 and has been deducted from shareholders' equity.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

23 Share capital (continued)

Notes: (continued)

(c) Share award (continued)

Details of shares awarded under Share Award Scheme during the years ended 31 March 2016 and 2015:

Date of award	Number of awarded shares	Average fair value per share (HK\$)	Vesting period*
30 Sep 2014	850,000	5.32	30 Sep 2014 – 30 Sep 2017
28 Nov 2014	200,000	5.83	28 Nov 2014 – 28 Nov 2017
31 Dec 2014	60,000	5.43	31 Dec 2014 – 31 Dec 2017
30 Jan 2015	140,000	5.02	30 Jan 2015 – 30 Jan 2018
31 Jul 2015	70,000	3.48	31 Jul 2015 – 31 Jul 2018
31 Dec 2015	50,000	2.62	31 Dec 2015 – 31 Dec 2018
29 Jan 2016	50,000	2.12	29 Jan 2016 – 29 Jan 2019
29 Feb 2016	50,000	2.40	29 Feb 2016 – 1 Mar 2019
	1,470,000		

Note: *The period during which all the specific vesting conditions of the awarded shares are to be satisfied.

Movements in the number of shares awarded are as follows:

	Number of awarded shares year ended 31 March	
	2016	2015
At beginning of the year	1,220,000	–
Awarded (Note)	220,000	1,250,000
Vested	(30,000)	(30,000)
Lapsed	(310,000)	–
At end of the year	1,100,000	1,220,000

Note: Average fair value per share was \$2.73 (2015:\$5.37).

Details of the awarded shares outstanding as at 31 March 2016 were set out as follows:

Date of award	Number of awarded shares	Average fair value per share (HK\$)	Vesting period*
30 Sep 2014	520,000	5.32	30 Sep 2014 – 30 Sep 2017
28 Nov 2014	200,000	5.83	28 Nov 2014 – 28 Nov 2017
31 Dec 2014	60,000	5.43	31 Dec 2014 – 31 Dec 2017
30 Jan 2015	120,000	5.02	30 Jan 2015 – 30 Jan 2018
31 Jul 2015	50,000	3.48	31 Jul 2015 – 31 Jul 2018
31 Dec 2015	50,000	2.62	31 Dec 2015 – 31 Dec 2018
29 Jan 2016	50,000	2.12	29 Jan 2016 – 29 Jan 2019
29 Feb 2016	50,000	2.40	29 Feb 2016 – 1 Mar 2019
	1,100,000		

Note: *The period during which all the specific vesting conditions of the awarded shares are to be satisfied.

As at 31 March 2016, 290,000 (31 March 2015: 200,000) unallocated shares, including 310,000 awarded Shares lapsed during the year, were held by the trustee under Share Award Scheme and will be granted to selected employees in future.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

24 Reserves

	Share premium HK\$'000	Shares held under the Share Award Scheme HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Hedging reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2015	675,635	(8,354)	11,783	60,438	(15)	(21,858)	1,472,411	2,190,040
Profit for the year	-	-	-	-	-	-	383,470	383,470
Other comprehensive loss:								
Actuarial losses on retirement benefit obligation	-	-	-	-	-	-	(3,241)	(3,241)
Cash flow hedges, net of tax	-	-	-	-	61	-	-	61
Currency translation differences of foreign subsidiaries recorded in exchange reserve	-	-	-	-	-	(19,246)	-	(19,246)
Total comprehensive income for the year ended 31 March 2016	-	-	-	-	61	(19,246)	380,229	361,044
Share Award Scheme:								
Value of employee services	-	-	-	1,888	-	-	-	1,888
Vesting of shares under Share Award Scheme	-	176	-	(159)	-	-	(17)	-
Employee share option scheme:								
Value of employee services	-	-	-	3,850	-	-	-	3,850
Lapse of share option after vesting	-	-	-	(2,008)	-	-	2,008	-
Issue of shares upon scrip dividend of 2015/16 interim dividend (Note 23)	110,554	-	-	-	-	-	-	110,554
Unclaimed dividends forfeited	-	-	-	-	-	-	198	198
Dividends:								
2014/2015 final and special dividends	-	-	-	-	-	-	(412,479)	(412,479)
2015/2016 interim dividend	-	-	-	-	-	-	(142,234)	(142,234)
2015/2016 special dividend	-	-	-	-	-	-	(113,788)	(113,788)
Total transactions with owners, recognised directly in equity	110,554	176	-	3,571	-	-	(666,312)	(552,011)
At 31 March 2016	786,189	(8,178)	11,783	64,009	46	(41,104)	1,186,328	1,999,073

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

24 Reserves (continued)

	Share premium HK\$'000	Shares held under the Share Award Scheme HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Hedging reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2014	665,968	-	11,783	49,799	2	11,683	1,301,588	2,040,823
Profit for the year	-	-	-	-	-	-	838,811	838,811
Other comprehensive loss:								
Actuarial gains on retirement benefit obligation	-	-	-	-	-	-	302	302
Cash flow hedges, net of tax	-	-	-	-	(17)	-	-	(17)
Currency translation differences of foreign subsidiaries recorded in exchange reserve	-	-	-	-	-	(33,541)	-	(33,541)
Total comprehensive income for the year ended 31 March 2015	-	-	-	-	(17)	(33,541)	839,113	805,555
Share Award Scheme:								
Value of employee services	-	-	-	1,348	-	-	-	1,348
Shares purchased for Share Award Scheme (Note 23(c))	-	(8,531)	-	-	-	-	-	(8,531)
Vesting of shares under Share Award Scheme	-	177	-	(160)	-	-	(17)	-
Employee share option scheme:								
Value of employee services	-	-	-	11,714	-	-	-	11,714
Proceeds from shares issued upon exercise of options (Note 23(a))	7,404	-	-	-	-	-	-	7,404
Transfer of reserve upon exercise of options	2,263	-	-	(2,263)	-	-	-	-
Unclaimed dividends forfeited	-	-	-	-	-	-	198	198
Dividends:								
2013/2014 final and special dividends	-	-	-	-	-	-	(412,457)	(412,457)
2014/2015 interim dividend	-	-	-	-	-	-	(142,230)	(142,230)
2014/2015 special dividend	-	-	-	-	-	-	(113,784)	(113,784)
Total transactions with owners, recognised directly in equity	9,667	(8,354)	-	10,639	-	-	(668,290)	(656,338)
At 31 March 2015	675,635	(8,354)	11,783	60,438	(15)	(21,858)	1,472,411	2,190,040

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

25 Cash generated from operations

	2016 HK\$'000	2015 HK\$'000
Profit for the year	383,470	838,811
Adjustments for:		
– Income tax expense	86,985	170,681
– Depreciation of property, plant and equipment	123,291	162,533
– Impairment and write-off of property, plant and equipment	19,916	37,472
– Provision for slow moving inventories and stock shrinkage	85,254	47,355
– Gains on disposal of property, plant and equipment	(4,257)	(3,088)
– Share-based payment	5,738	13,062
– Finance costs	–	458
– Finance income	(9,380)	(18,162)
	691,017	1,249,122
Changes in working capital		
– Inventories	183,073	(70,987)
– Trade receivables	(27,658)	626
– Other receivables, deposits and prepayments	54,181	(12,670)
– Trade payables	(234,701)	104,622
– Other payables, accruals and retirement benefit obligations	(11,905)	26,157
Cash generated from operations	654,007	1,296,870

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2016 HK\$'000	2015 HK\$'000
Net book amount (Note 12)	248	215
Gains on disposal of property, plant and equipment	4,257	3,088
Proceeds from disposal of property, plant and equipment	4,505	3,303

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

26 Commitments

(a) Capital commitments in respect of acquisition of property, plant and equipment

	2016 HK\$'000	2015 HK\$'000
Contracted but not provided for	6,626	9,226
Authorised but not contracted	132,580	203,808
	139,206	213,034

The amount of capital commitments authorised but not contracted represents the Group's estimated capital expenditure based on the annual budget approved by the board of directors.

(b) Commitments under operating leases

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1-10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

As at 31 March 2016, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2016 HK\$'000	2015 HK\$'000
Land and buildings		
Within one year	858,100	854,355
In the second to fifth year inclusive	676,324	816,027
After the fifth year	1,387	2,438
	1,535,811	1,672,820

(c) Operating leases rental receivables

As at 31 March 2016, the Group had total future aggregate minimum lease payments receivable under non-cancellable operating leases as follows:

	2016 HK\$'000	2015 HK\$'000
Land and buildings		
Within one year	42,190	53,655
In the second to fifth year inclusive	1,890	42,700
	44,080	96,355

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

27 Significant related party transactions

Accounting Policy

Related parties are individuals and companies, including subsidiaries, fellow subsidiaries, jointly controlled entities, associated companies and key management personnel, where the individual or company has the ability, directly or indirectly, control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions. A close family member of any such individual is considered to be a related party.

(a) Key management compensation

Key management, including executive directors and senior management, represents individual who has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions.

Key management compensation is disclosed as follows:

	2016 HK\$'000	2015 HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	43,298	39,899
Retirement benefit costs	2,139	1,821
Share-based payment	2,554	6,285
	47,991	48,005

(b) Interest of Directors

There are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities (2015: 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 (2015: Nil).

28 Principal subsidiaries

Particulars of the principal subsidiaries at 31 March 2016:

Name	Place of incorporation/ kind of legal entity	Principal activities and place of operation (if different from place of incorporation)	Particulars of issued share capital/paid up share capital	Indirect interest held
Base Sun Investment Limited	Hong Kong, limited liability company	Property holding	Ordinary HK\$100 Deferred HK\$2	100%
Cyber Colors Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$1	100%
Docile Company Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$2	100%
Elegance Trading (Shanghai) Company Limited (Note 1)	PRC, limited liability company	Wholesale of cosmetic products	HK\$10,000,000	100%

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

28 Principal subsidiaries (continued)

Particulars of the principal subsidiaries at 31 March 2016: (continued)

Name	Place of incorporation/ kind of legal entity	Principal activities and place of operation (if different from place of incorporation)	Particulars of issued share capital/paid up share capital	Indirect interest held
Gig Limited	Samoa, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$1	100%
Hadatuko Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$1	100%
Hong Kong Sa Sa (M) Sdn. Bhd.	Malaysia, limited liability company	Trading and retailing of cosmetic products	Ordinary RM20,000,000	100%
Léa Limited	Samoa, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$1	100%
Matford Trading Limited	Hong Kong, limited liability company	Property holding	Ordinary HK\$100 Deferred HK\$6	100%
Rosy Sino Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$1	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 Investment (HK) Limited	Hong Kong, limited liability company	Property holding	Ordinary HK\$100 Deferred HK\$2	100%
Sa Sa International (Taiwan) Limited	British Virgin Islands, limited liability company	Trading and retailing of cosmetic products in Taiwan	Ordinary US\$6,880,000	100%

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

28 Principal subsidiaries (continued)

Particulars of the principal subsidiaries at 31 March 2016: (continued)

Name	Place of incorporation/ kind of legal entity	Principal activities and place of operation (if different from place of incorporation)	Particulars of issued share capital/paid up share capital	Indirect interest held
Sa Sa Making Life Beautiful Charity Fund Limited	Hong Kong, limited liability company	Charitable activities	limited by guarantee	100%
Sa Sa Property Limited	Hong Kong, limited liability company	Property holding	Ordinary HK\$100	100%
Sa Sa Overseas Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$2	100%
Sa Sa Cosmetic (China) Company Limited (Note 2)	PRC, limited liability company	Trading and retailing of cosmetic products	HK\$195,000,000	100%
SkinPeptoxyl Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$1	100%
Soo Beauté Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$1	100%
Swiss Rituel Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$1	100%
Suisse Programme Limited	Gibraltar, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary Gibraltar £100	100%

Notes:

- 1) Elegance Trading (Shanghai) Company Limited is a wholly-owned foreign enterprise for an operating period of 30 years up to 4 December 2038.
- 2) Sa Sa Cosmetic (China) Company Limited is a wholly-owned foreign enterprise for an operating period of 30 years up to 5 February 2035.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

29 Statement of financial position and reserves of the Company

Statement of financial position of the Company

	2016 HK\$'000	2015 HK\$'000
ASSETS		
Non-current assets		
Investments in and amounts due from subsidiaries	1,885,800	1,782,490
Other assets	750	750
	1,886,550	1,783,240
Current assets		
Other receivables, deposits and prepayments	987	1,602
Time deposits	136,224	433,350
Cash and cash equivalents	122,494	2,315
	259,705	437,267
LIABILITIES		
Current liabilities		
Other payables and accruals	1,644	1,362
Net current assets	258,061	435,905
Total assets less current liabilities	2,144,611	2,219,145
EQUITY		
Capital and reserves		
Share capital	289,213	284,468
Reserves	1,855,398	1,934,677
Total equity	2,144,611	2,219,145

On behalf of the Board

KWOK Siu Ming Simon
Director

KWOK LAW Kwai Chun Eleanor
Director

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

29 Statement of financial position and reserves 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 2015	675,635	(8,354)	11,783	60,438	1,195,175	1,934,677
Profit and total comprehensive income for the year	–	–	–	–	472,732	472,732
Share Award Scheme:						
Value of employee services	–	–	–	1,888	–	1,888
Vesting of shares under Share Award Scheme	–	176	–	(159)	(17)	–
Employee share option scheme:						
Value of employee services	–	–	–	3,850	–	3,850
Lapse of share option after vesting	–	–	–	(2,008)	2,008	–
Issue of shares upon scrip dividend of 2015/16 interim dividend (Note 23)	110,554	–	–	–	–	110,554
Unclaimed dividends forfeited	–	–	–	–	198	198
Dividends:						
2014/2015 final and special dividends	–	–	–	–	(412,479)	(412,479)
2015/2016 interim dividend	–	–	–	–	(142,234)	(142,234)
2015/2016 special dividend	–	–	–	–	(113,788)	(113,788)
Total transactions with owners, recognised directly in equity	110,554	176	–	3,571	(666,312)	(552,011)
At 31 March 2016	786,189	(8,178)	11,783	64,009	1,001,595	1,855,398

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

29 Statement of financial position and reserves 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 2014	665,968	–	11,783	49,799	895,478	1,623,028
Profit and total comprehensive income for the year	–	–	–	–	967,987	967,987
Share Award Scheme:						
Value of employee services	–	–	–	1,348	–	1,348
Shares purchased for Share Award Scheme (Note 23(c))	–	(8,531)	–	–	–	(8,531)
Vesting of shares under Share Award Scheme	–	177	–	(160)	(17)	–
Employee share option scheme:						
Value of employee services	–	–	–	11,714	–	11,714
Proceeds from shares issued upon exercise of options (Note 23 (a))	7,404	–	–	–	–	7,404
Transfer of reserve upon exercise of options	2,263	–	–	(2,263)	–	–
Unclaimed dividends forfeited	–	–	–	–	198	198
Dividends:						
2013/2014 final and special dividends	–	–	–	–	(412,457)	(412,457)
2014/2015 interim dividend	–	–	–	–	(142,230)	(142,230)
2014/2015 special dividend	–	–	–	–	(113,784)	(113,784)
Total transactions with owners, recognised directly in equity	9,667	(8,354)	–	10,639	(668,290)	(656,338)
At 31 March 2015	675,635	(8,354)	11,783	60,438	1,195,175	1,934,677