羅兵咸永道

Independent Auditor's Report
To the Shareholders of Sa Sa International Holdings Limited
(incorporated in Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Sa Sa International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 170 to 230, which comprise:

- the consolidated statement of financial position as at 31 March 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment of retail store assets
- Provision for inventory

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of retail store assets	
Refer to Note 12 to the consolidated financial statements The Group had HK$284.2 million of property, plant and equipment as at 31 March 2017, of which approximately HK$99.3 million was attributable to its retail stores. The carrying amount of the retail store assets is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Management regards each individual retail store as a separately identifiable cash-generating unit and monitors their financial performance for the existence of impairment indicators, such as stores making a loss and early closure of stores before the lease term. The Group usually allows for a period of 6 to 18 months at the beginning of the lease for loss making new stores, depending on the tenure of lease (the "shelter period"). Management carried out an impairment assessment for the retail store assets which have an impairment indicator (referred to as "underperforming retail stores") and as a result an impairment loss of HK$10.4 million has been recognised in the consolidated income statement for the year. The recoverable amount of the assets of underperforming stores is determined by value-in-use calculations using discounted cash flow projections based on the financial forecasts approved by management covering the remaining tenure of the lease. We focused on this area because significant estimation and judgement were involved in deciding whether a retail store has an impairment indicator and in determining the recoverable amounts of the relevant retail store assets.	We evaluated management's assessment process for identifying underperforming retail stores by: – enquiring of management on their basis of identifying impairment indicators; – challenging the judgements made in the identification of impairment indicators; – comparing current year's performance of retail stores with impairment indicators to the store prior year's performance; – comparing the actual performance, for newly opened stores, to the budget; and – assessing the appropriateness of the shelter period applied to newly opened retail stores by comparing the budget for stores prepared upon their opening to the historical data of stores nearby. We tested the impairment calculation by performing the following procedures: – compared the forecasted sales performance to the approved business plan, and compared estimated running costs to the historical records; – enquired of management in relation to key assumptions in their business plan and evaluated the key assumptions (such as revenue growth rate and gross profit margin) applied by comparing them to historical information and our understanding of latest market information and conditions; – recomputed the impairment loss calculation; and – evaluated the sensitivity analysis to ascertain the extent of change in the key assumptions either individually or collectively that would result in the retail store assets being impaired and also considered the likelihood of such a change in the key assumptions arising. Based on our work performed, we found the impairment of retail store assets made by management to be supported by available evidence.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for inventory	
Refer to Note 15 to the consolidated financial statements The Group had net inventories of HK$1,221.8 million as at 31 March 2017, which represented approximately 41.7% of the Group's total assets. The Group estimates the provision for inventory based on the inventory turnover days and sales performance of individual stock keeping units ("SKU") and makes specific provision for near-expiry and slow-moving inventory by SKU. The Group also estimates the shrinkage provision with reference to the level of inventory loss in the prior year. We focused on this area because of the magnitude of the inventories and the estimation of the net realisable value of inventories involved a high level of management judgement. These estimations are also subjected to uncertainty as a result of change of market trends and competitor actions.	We evaluated management's basis for the inventory provisions and evaluated the outcome of management's estimations, analysis made by management and methodology applied to identify slow moving and obsolete SKUs. We evaluated the estimates made by management and used to determine the provisioning percentages applicable to different SKUs by discussion with management on the latest market trend and their sales strategy and by comparing the level of inventories written-off during the year to the provisions made in prior year. We also compared the shrinkage provision with the actual inventory loss for the past year. We performed a recalculation, on a sample basis, of the inventory provision made on individual SKUs. Based on the procedures performed, we consider management's judgement and estimates in the assessment of the net realisable value of inventory, to be supported by the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Yuen Kwok Kin Andrew.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 June 2017