

### 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 2017, 49.3% 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 15 June 2017.

### 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.

## 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:

	2017 HK\$'000	2016 HK\$'000 Restated
<b>Turnover</b>		
Retail and wholesale	7,746,152	7,791,244
<b>Other income</b>		
Slide display rental income	60,750	62,767
Sub-lease income	47,007	54,612
	107,757	117,379
	7,853,909	7,908,623

## 3 Segment information

### Accounting Policy

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive directors of the Group who make strategic and operating decisions.

Executive directors of the Group review the internal reporting of the Group in order to assess performance and allocate resources. Executive directors consider the business principally from a geographic perspective and assess the performance of the geographic segments based on a measure of segments results.

During the year ended 31 March 2017, E-commerce qualifies as reportable segment; the comparatives have been restated. Business reportable segments identified are Hong Kong & Macau, Mainland China, E-commerce and All other segments. All other segments refer to segment results from markets in Singapore, Malaysia and Taiwan.

Segment assets consist primarily of property, plant and equipment, deferred tax assets, inventories, receivables, deposits and prepayments, time deposits and cash and cash equivalents. Capital expenditure comprises additions to property, plant and equipment.

### 3 Segment information (continued)

The breakdown of key segment information including total turnover from external customers is disclosed below.

	For the year ended 31 March 2017				
	Hong Kong & Macau HK\$'000	Mainland China HK\$'000	E-commerce HK\$'000	All other segments HK\$'000	Total HK\$'000
Turnover	6,266,540	276,497	475,189	727,926	7,746,152
Segment results	432,646	(15,082)	(67,144)	(23,715)	326,705
Other information					
Capital expenditure	53,333	6,054	1,817	20,677	81,881
Finance income	8,298	307	15	1,485	10,105
Income tax expense/(credit)	82,987	–	(12,640)	8,346	78,693
Depreciation	61,872	10,301	2,132	28,672	102,977
Provision/(reversal of provision) for slow moving inventories and shrinkage	18,158	(8,422)	8,215	14,124	32,075
Impairment of property, plant and equipment	3,137	1,997	–	5,289	10,423
	For the year ended 31 March 2016 (Restated)				
	Hong Kong & Macau HK\$'000	Mainland China HK\$'000	E-commerce HK\$'000	All other segments HK\$'000	Total HK\$'000
Turnover	6,268,925	303,803	433,991	784,525	7,791,244
Segment results	465,700	(39,640)	(31,475)	(11,115)	383,470
Other information					
Capital expenditure	60,159	11,632	2,813	42,431	117,035
Finance income	7,075	381	20	1,904	9,380
Income tax expense/(credit)	86,591	–	(6,217)	6,611	86,985
Depreciation	80,905	11,107	1,810	29,469	123,291
Provision for slow moving inventories and shrinkage	52,607	17,547	5,449	9,651	85,254
Impairment of property, plant and equipment	7,776	2,298	–	7,175	17,249

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Segment information (continued)

	Hong Kong & Macau HK\$'000	Mainland China HK\$'000	E-commerce HK\$'000	All other segments HK\$'000	Total HK\$'000
At 31 March 2017					
Non-current assets	353,243	15,487	3,207	76,605	448,542
Current assets	1,884,871	152,270	151,726	291,668	2,480,535
Total assets					2,929,077
At 31 March 2016					
Non-current assets	382,529	24,444	4,233	92,695	503,901
Current assets	1,877,528	161,389	100,455	328,230	2,467,602
Total assets					2,971,503

### 4 Other (losses)/gains – net

	Significant Accounting Policies No. 8	
	2017	2016
	HK\$'000	HK\$'000
Net exchange (losses)/gains	(1,240)	3,440

## 5 Expenses by nature

	2017 HK\$'000	2016 HK\$'000 Restated
Cost of inventories sold	4,485,259	4,333,162
Employee benefit expenses (including directors' emoluments) (Note 6)	1,064,354	1,103,778
Operating lease rentals in respect of land and buildings		
– minimum lease payments	924,502	947,388
– contingent rent	66,731	65,775
Advertising and promotion expenses	126,793	140,868
Transportation, storage and delivery charges	104,156	101,543
Depreciation of property, plant and equipment (Note 12)	102,977	123,291
Building management fees, government rent and rates	100,015	91,005
Utilities and telecommunication	59,946	63,339
Sub-lease expenses	45,113	54,304
Repair and maintenance	42,722	43,031
Provision for slow moving inventories and shrinkage (Note 15)	32,075	85,254
Impairment of property, plant and equipment (Note 12)	10,423	17,249
Auditors' remuneration		
– audit services	3,433	3,476
– non-audit services	1,478	1,351
Donations	3,365	4,740
Write-off of property, plant and equipment (Note 12)	1,979	2,667
Others	282,055	268,767
	7,457,376	7,450,988
Representing:		
Cost of sales	4,517,334	4,418,416
Selling and distribution costs	2,622,818	2,690,878
Administrative expenses	317,224	341,694
	7,457,376	7,450,988

## 6 Employee benefit expenses (including directors' emoluments)

	Significant Accounting Policies No. 9	
	2017 HK\$'000	2016 HK\$'000 Restated
Basic salaries, bonuses, housing allowances, other allowances and benefits-in-kind	998,471	1,037,363
Retirement benefit costs (Note 22(b))	50,356	53,448
Share-based payment	9,217	5,738
Provision for unutilised annual leave	4,580	5,466
Directors' fees	1,730	1,763
	1,064,354	1,103,778

## 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 (2016: 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\$100,000 and HK\$80,000 (2016: HK\$70,000 and HK\$50,000) respectively starting from 1 January 2017.

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

	2017 HK\$'000	2016 HK\$'000
Directors' fees	1,730	1,763
Basic salaries, housing allowances, other allowances and benefits-in-kind	8,632	8,632
Discretionary bonuses	454	454
Retirement benefit costs	604	605
Share-based payment	664	460
	12,084	11,914

The remuneration of each director of the Company during the year ended 31 March 2017 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) & (ii) HK\$'000	Total HK\$'000
<b>Executive Directors</b>						
Dr KWOK Siu Ming Simon (iv)	–	2,858	238	200	–	3,296
Dr KWOK LAW Kwai Chun Eleanor	–	2,594	216	181	–	2,991
Dr LOOK Guy (iii)	–	3,180	–	223	664	4,067
<b>Non-executive Director</b>						
Ms LEE Yun Chun Marie-Christine	257	–	–	–	–	257
<b>Independent Non-executive Directors</b>						
Professor CHAN Yuk Shee (v)	246	–	–	–	–	246
Dr LEUNG Kwok Fai Thomas	315	–	–	–	–	315
Ms TAM Wai Chu Maria	315	–	–	–	–	315
Ms KI Man Fung Leonie	315	–	–	–	–	315
Mr TAN Wee Seng	282	–	–	–	–	282
	1,730	8,632	454	604	664	12,084

## 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 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) & (ii) HK\$'000	Total HK\$'000
<b>Executive Directors</b>						
Dr KWOK Siu Ming Simon (iv)	–	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
<b>Non-executive Director</b>						
Ms LEE Yun Chun Marie-Christine	257	–	–	–	–	257
<b>Independent Non-executive Directors</b>						
Professor CHAN Yuk Shee (v)	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:

- (i) Share-based payment represents amortisation to the income statement of the fair value of awarded shares and share options measured at the respective grant dates, regardless of whether the share options would be exercised or not.
- (ii) During the years ended 31 March 2017 and 2016, no share options were granted to the executive director under the 2002 Share Option Scheme and the 2012 Share Option Scheme.
- (iii) During the year ended 31 March 2017, 200,000 shares were awarded to the executive director under the Share Award Scheme. The vesting of 100,000 awarded shares out of 200,000 shares as at 31 March 2017 is subject to certain performance targets that must be achieved by the director.
- (iv) Dr KWOK Siu Ming Simon is the Chief Executive Officer of the Company.
- (v) Professor CHAN Yuk Shee retired as an Independent Non-executive Directors of the Company with effect on 1 January 2017.

No compensation for loss of office has been paid to the directors for the years ended 31 March 2017 and 2016.

No director of the Company waived any emoluments during the years ended 31 March 2017 and 2016.

## 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 (2016: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2016: two) individuals during the year were as follows:

	2017 HK\$'000	2016 HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	3,900	3,564
Share-based payment	852	731
Discretionary bonuses	793	797
Retirement benefit costs	256	249
	5,801	5,341

The emoluments of the individuals fell within the following bands:

Emoluments bands	Number of individuals	
	2017	2016
HK\$2,500,001 – HK\$3,000,000	2	2

### (c) Senior management emoluments (excluding directors' emoluments)

The details of the senior management emoluments (excluding directors' emoluments) payable during the year were as follows:

	2017 HK\$'000	2016 HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	7,930	4,608
Share-based payment	2,295	610
Discretionary bonuses	656	959
Retirement benefit costs	441	323
	11,322	6,500

One (2016: one) of the senior management emoluments are included in the analysis presented in Note 7(b) above.

The emoluments of the individuals fell within the following bands:

Emoluments bands	Number of individuals	
	2017	2016
HK\$1,500,001 – HK\$2,000,000	1	2
HK\$2,000,001 – HK\$2,500,000	2	–
HK\$2,500,001 – HK\$3,000,000	2	1
	5	3



## 8 Finance income

### Accounting Policy

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

	2017 HK\$'000	2016 HK\$'000
Interest income on bank deposits	7,732	6,633
Others	2,373	2,747
Finance income	10,105	9,380

## 9 Income tax expense

### Accounting Policy

The tax expense for the year is comprised 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.

Please refer to **Critical Accounting Estimates and Judgements (i)** for estimates and judgements on income tax.

## 9 Income tax expense (continued)

Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates respectively.

	2017 HK\$'000	2016 HK\$'000
<b>Current tax:</b>		
Hong Kong profits tax		
Current	49,376	61,433
Over-provision in previous years	(588)	(321)
<b>Overseas taxation</b>		
Current	28,378	27,982
Over-provision in previous years	(76)	(139)
<b>Total current tax</b>	<b>77,090</b>	<b>88,955</b>
Deferred tax (Note 14):		
Origination and reversal of temporary differences	1,603	(1,970)
<b>Income tax expense</b>	<b>78,693</b>	<b>86,985</b>

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:

	2017 HK\$'000	2016 HK\$'000
Profit before income tax	405,398	470,455
Tax calculated at a taxation rate of 16.5% (2016: 16.5%)	66,891	77,625
Effect of different taxation rates in other countries	(5,723)	(7,091)
Expenses not deductible for income tax purposes	7,773	4,175
Income not subject to income tax	(2,464)	(2,159)
Unrecognised tax losses	12,880	14,895
Over-provision in previous years	(664)	(460)
<b>Income tax expense</b>	<b>78,693</b>	<b>86,985</b>

## 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.

	2017 HK\$'000	2016 HK\$'000
Profit attributable to owners of the Company	326,705	383,470
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the year (thousands)	2,927,021	2,854,155

- (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 2017 has been included in the number of shares.

	2017 HK\$'000	2016 HK\$'000
Profit attributable to owners of the Company	326,705	383,470
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the year (thousands)	2,927,021	2,854,155
Adjustment for share options and awarded shares (thousands)	2,049	1,127
Weighted average number of ordinary shares for diluted earnings per share (thousands)	2,929,070	2,855,282

## 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.

	2017 HK\$'000	2016 HK\$'000
Interim, paid – 5.0 HK cents (2016: 5.0 HK cents) per share	148,043	142,234
Special, paid – 4.0 HK cents (2016: 4.0 HK cents) per share	118,434	113,788
Final, proposed – 8.0 HK cents (2016: 9.0 HK cents) per share	239,555	260,292
Special, proposed – Nil (2016: 5.5 HK cents) per share	–	159,067
	506,032	675,381

## 11 Dividends (continued)

For final dividend, scrip dividend election was offered to all shareholders. At a meeting held on 15 June 2017, the directors proposed a final dividend of 8.0 HK cents per share. The final dividend will be payable in cash with a scrip dividend alternative. This proposed dividend has 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 2018 if approved by the shareholders.

## 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)** for estimates and judgements on impairment for plant and equipment.

## 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
<b>At 31 March 2015</b>					
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
<b>Year ended 31 March 2016</b>					
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
<b>At 31 March 2016</b>					
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
<b>Year ended 31 March 2017</b>					
Opening net book amount	141,553	114,968	60,978	3,590	321,089
Exchange differences	–	(1,660)	(1,684)	(5)	(3,349)
Additions	–	59,685	21,883	313	81,881
Write-off	–	(469)	(1,510)	–	(1,979)
Depreciation	(5,629)	(63,960)	(31,724)	(1,664)	(102,977)
Impairment losses	–	(8,929)	(1,494)	–	(10,423)
Closing net book amount	135,924	99,635	46,449	2,234	284,242
<b>At 31 March 2017</b>					
Cost	190,790	626,298	261,840	21,849	1,100,777
Accumulated depreciation and impairment	(54,866)	(526,663)	(215,391)	(19,615)	(816,535)
Net book amount	135,924	99,635	46,449	2,234	284,242

- (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\$81,170,000 (2016: HK\$96,944,000) was included in selling and distribution costs and HK\$21,807,000 (2016: HK\$26,347,000) was included in administrative expenses.
- (c) As at 31 March 2017, net book amount of retail store assets amounted to HK\$99,332,000 (2016: HK\$117,489,000). The Group regards each individual retail store as a separately identifiable cash-generating unit. Management carried out an impairment assessment for the retail store assets which have an impairment indicator. 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. As a result, an impairment loss of HK\$10,423,000 (2016: HK\$17,249,000) was recognised in selling and distribution costs. The estimates of the recoverable amounts were based on value-in-use calculations using discounted cash flow projections based on the financial forecasts approved by management covering the remaining tenure of the lease.

## 13 Rental deposits, prepayments and other assets

	Significant Accounting Policies No. 7	
	2017 HK\$'000	2016 HK\$'000
Rental and other deposits	142,493	160,359
Prepayments	2,635	1,115
Others	5,552	5,552
	150,680	167,026

Rental deposits are carried at amortised cost using the effective interest rate of 0.63% to 1.39% per annum (2016: 0.63% to 1.39% per annum). As at 31 March 2017, 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.

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.

# 14 Deferred tax (continued)

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

	2017 HK\$'000	2016 HK\$'000
At beginning of the year	15,354	13,652
Deferred tax (charged)/credited to the income statement (Note 9)	(1,603)	1,970
Exchange differences	(458)	(268)
At end of the year	13,293	15,354

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

	2017 HK\$'000	2016 HK\$'000
Deferred tax assets	13,620	15,786
Deferred tax liabilities	(327)	(432)
Deferred tax assets – net	13,293	15,354

As at 31 March 2017, except for the deferred tax assets on certain provisions were expected to be recovered within 12 months, substantially all remaining balances of other deferred tax assets and liabilities were expected to be recovered after 12 months.

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	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
At beginning of the year	10,857	8,490	5,176	5,650	283	426	16,316	14,566
(Charged)/credited to the income statement	(1,729)	2,385	(175)	(224)	(145)	(143)	(2,049)	2,018
Exchange differences	(20)	(18)	(438)	(250)	–	–	(458)	(268)
At end of the year	9,108	10,857	4,563	5,176	138	283	13,809	16,316

Deferred tax liabilities	Accelerated tax depreciation	
	2017 HK\$'000	2016 HK\$'000
At beginning of the year	962	914
(Credited)/charged to the income statement	(446)	48
At end of the year	516	962

**14 Deferred tax (continued)**

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\$70,533,000 (2016: HK\$59,587,000) in respect of tax losses amounting to HK\$303,117,000 (2016: HK\$243,540,000) and capital allowances amounting to HK\$31,807,000 (2016: HK\$26,806,000) that can be carried forward against future taxable income. Tax losses amounting to HK\$193,811,000 (2016: HK\$190,455,000) and HK\$28,620,000 (2016: HK\$6,054,000) will expire within 1-5 years and 5-10 years respectively from 31 March 2017. The remaining tax losses and capital allowances 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 provision for inventory.

	2017 HK\$'000	2016 HK\$'000
Merchandise for resale	1,221,794	1,102,385

The cost of inventories recognised as expense and included in cost of sales amounted to HK\$4,485,259,000 (2016: HK\$4,333,162,000).

During the year, the Group has made a provision of HK\$32,075,000 for slow moving inventories and shrinkage (2016: HK\$85,254,000). 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.

	2017 HK\$'000	2016 HK\$'000
Trade receivables	68,123	81,368
Less: provision for impairment losses on trade receivables	(1,047)	(2,218)
Trade receivables – net	67,076	79,150

The carrying amounts of trade receivables approximate their fair values.

The Group's turnover comprises mainly cash sales and credit card sales. Certain wholesale customers are granted credit terms ranging from 7 to 120 days. The ageing analysis based on invoice date is as follows:

	2017 HK\$'000	2016 HK\$'000
Within 1 month	48,674	48,968
1 to 3 months	9,609	29,880
Over 3 months	9,840	2,520
	68,123	81,368

As at 31 March 2017, trade receivables of HK\$2,054,000 (2016: HK\$28,670,000) 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:

	2017 HK\$'000	2016 HK\$'000
1 to 3 months	1,060	28,190
Over 3 months	994	480
	2,054	28,670

**16 Trade receivables (continued)**

Trade receivables are denominated in the following currencies:

	2017 HK\$'000	2016 HK\$'000
Renminbi	36,080	18,806
Hong Kong dollar	21,289	46,924
New Taiwan dollar	5,802	9,824
Others	3,905	3,596
	<b>67,076</b>	<b>79,150</b>

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

	2017 HK\$'000	2016 HK\$'000
At 1 April	2,218	788
(Reversal)/provision for impairment	(1,201)	1,865
Receivable written off during the year as uncollectible	–	(410)
Exchange differences	30	(25)
At 31 March	<b>1,047</b>	<b>2,218</b>

During the year, the Group has made a reversal on provision for impairment losses on trade receivables of HK\$1,201,000 (2016: provision of HK\$1,865,000). The reversal on 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.

## 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.

	2017 HK\$'000	2016 HK\$'000
Rental and other deposits	155,932	138,515
Other receivables and payment in advance	35,393	30,829
Prepayments	31,398	37,653
Forward foreign exchange contracts (Note 21)	217	63
	222,940	207,060

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.

	2017 HK\$'000	2016 HK\$'000
Time deposits	513,024	393,244
Short-term bank deposits	235,297	372,981
Cash at bank and on hand	220,404	312,782
Cash and cash equivalents	455,701	685,763
Total	968,725	1,079,007

## 18 Cash and bank balances (continued)

Cash and bank balances are denominated in the following currencies:

	2017 HK\$'000	2016 HK\$'000
Hong Kong dollar	791,100	838,677
Renminbi	44,006	48,267
US dollar	38,266	40,651
Malaysian Ringgit	31,179	40,058
Singapore dollar	18,379	37,484
New Taiwan dollar	18,005	14,677
Swiss Franc	15,678	21,051
Macau Pataca	7,788	34,612
Euro	2,632	108
Others	1,692	3,422
	968,725	1,079,007

The year-end effective interest rate on time deposits over three months was 1.04% per annum (2016: 1.02% per annum). These deposits have an average maturity of 6 months (2016: 7 months).

The year-end effective interest rate on short-term bank deposits was 0.67% per annum (2016: 0.81% per annum). These deposits have an average maturity of 1 month (2016: 1 month).

As at 31 March 2017, out of the total cash and bank balances denominated in Renminbi and Malaysian Ringgit as stated above, approximately HK\$41,649,000 (2016: HK\$44,195,000) 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:

	2017 HK\$'000	2016 HK\$'000
Within 1 month	201,714	148,644
1 to 3 months	96,992	85,320
Over 3 months	15,207	27,531
	313,913	261,495

## 19 Trade payables (continued)

The carrying amounts of trade payables approximate their fair values.

Trade payables are denominated in the following currencies:

	2017 HK\$'000	2016 HK\$'000
Hong Kong dollar	192,767	169,009
Renminbi	43,231	39,945
Euro	20,692	1,829
US dollar	16,984	5,901
New Taiwan dollar	11,196	19,414
Malaysian Ringgit	9,204	7,899
Swiss Franc	7,386	3,831
Singapore dollar	4,294	13,021
Japanese Yen	4,164	610
Others	3,995	36
	313,913	261,495

## 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.

	2017 HK\$'000	2016 HK\$'000
Accrued staff costs	98,538	110,084
Customers' deposits and temporary receipts	28,981	44,196
Accrued advertising and promotion expenses	26,640	21,266
Accrued rental related expenses	18,526	32,159
Valued-added tax and other tax payables	17,202	14,380
Accrued transportation expenses	14,548	17,031
Accrued capital expenditure	13,834	17,687
Forward foreign exchange contracts (Note 21)	80	16
Other payables and accruals	73,443	64,488
	291,792	321,307

## 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 (losses)/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 (losses)/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 (losses)/gains – net'.

**21 Forward foreign exchange contracts (continued)**

	2017		2016	
	Current assets	Current liabilities	Current assets	Current liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Forward foreign exchange contracts				
– cash flow hedge	217	80	63	16

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

As at 31 March 2017, the notional principal amount of the outstanding forward foreign exchange contracts under cash flow hedges was HK\$24,885,000 (2016: HK\$4,704,000). 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 2017 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**

	2017	2016
	HK\$'000	HK\$'000
Retirement benefit obligations (asset)/liability on:		
– defined benefit plan (Note 22 (b)(ii))	(513)	(491)
– long service payments (Note 22 (b)(iii))	7,101	9,605
	6,588	9,114

**22 Retirement benefit obligations (continued)****(b) Retirement benefit costs**

	2017 HK\$'000	2016 HK\$'000
Retirement benefit costs charged to income statement:		
Retirement benefit costs (Note 6)		
– defined contribution plans (Note 22 (b)(i))	50,170	52,967
– defined benefit plan (Note 22 (b)(ii))	11	(1)
	50,181	52,966
– long service payments (Note 22 (b)(iii))	175	482
	50,356	53,448
Retirement benefit costs (credited)/charged to other comprehensive income:		
– defined benefit plan (Note 22 (b)(ii))	67	375
– long service payments (Note 22 (b)(iii))	(2,660)	2,866
	(2,593)	3,241

**Notes:**

- (i) The subsidiaries of the Group in Hong Kong elected to contribute to the Mandatory Provident Fund Scheme ("MPF Scheme"). The MPF Scheme is a defined contribution retirement benefit plan administered by independent trustees. Under the MPF Scheme, both the employer and employees are required to contribute 5% of the employee's monthly salaries (capped at HK\$30,000). Contributions from the employer equivalent to the contribution as specified at the rules of the MPF Scheme are 100% vested as soon as they are paid to the relevant MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the age of 65, subject to a few exceptions. As to the employer's contribution in excess of the portion vested in the MPF Scheme the employees are entitled to 100% of it after 10 years of completed service or at a reduced scale after completion of 3 to 9 years' service. No forfeited contributions for the Group is available to reduce the contribution payment in the future years.

The employees of the Group in Mainland China are members of state-managed retirement benefit schemes operated by the respective local government in Mainland China. The Group is required to contribute a specified percentage of payroll costs to the scheme to fund the benefits. The only obligation of the Group with respect to these schemes is to make the specified contributions.

Certain employees of the Group in Taiwan participate a defined contribution retirement benefit plan ("New Retirement Plan") administered by the local government and followed the local statutory requirements. The only obligation of the Group with respect to this plan 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.



## 22 Retirement benefit obligations (continued)

### (b) Retirement benefit costs (continued)

Notes: (continued)

- (ii) Before the effective of New Retirement Plan since 1 July 2005, 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 2017 by Towers Watson Hong Kong Limited, a qualified actuary, using the projected unit credit method.

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

	2017 HK\$'000	2016 HK\$'000
Present value of funded obligations	2,766	2,485
Fair value of plan assets	(3,279)	(2,976)
Net asset in the statement of financial position (Note 22 (a))	(513)	(491)

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 2016	(2,976)	2,485	(491)
Current service cost	–	19	19
Interest (income)/expense	(42)	34	(8)
Retirement benefit costs (credited)/charged to income statement	(42)	53	11
Remeasurements:			
Actuarial loss – experience	–	202	202
Actuarial gain – financial assumptions	–	(144)	(144)
Return on scheme assets less than discount rate	9	–	9
Retirement benefit costs charged to other comprehensive income	9	58	67
Employer contributions	(68)	–	(68)
Exchange difference	(202)	170	(32)
At 31 March 2017	(3,279)	2,766	(513)

## 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 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 less 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)

The principal actuarial assumptions used are as follows:

	2017 %	2016 %
Discount rate	1.8	1.3
Expected rate of future salary increases	3.0	3.0

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%	-2.7%
	-0.25%	+2.9%
Expected rate of future salary increases	+0.25%	+2.8%
	-0.25%	-2.7%

## 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 2017 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	
	2017 HK\$'000	2016 HK\$'000
At 1 April	9,605	6,426
Current service cost	64	383
Interest cost on scheme assets	111	99
Retirement benefit costs charged to income statement	175	482
Remeasurements:		
Actuarial (gain)/loss- experience	(3,357)	5,105
Actuarial loss/(gain) – financial assumptions	1,831	(2,239)
Actuarial gain – demographic assumptions	(1,134)	–
Retirement benefit costs (credited)/charged to other comprehensive income	(2,660)	2,866
Benefits paid directly by the employer	(19)	(169)
At 31 March	7,101	9,605

The principal actuarial assumptions used are as follows:

	2017 %	2016 %
Discount rate	1.7	1.2
Expected rate of future salary increases	3.5	3.5

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%	-2.9%
	-0.25%	+3.0%
Expected rate of future salary increases	+0.25%	+11.2%
	-0.25%	-11.7%

## 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	No. of shares	HK\$'000
At 31 March 2016 and 2017	8,000,000,000	800,000
<b>Issued and fully paid shares of HK\$0.1 each</b>		
At 1 April 2015	2,844,683,520	284,468
Issue of shares upon scrip dividend of 2015/16 interim and special dividends	47,448,041	4,745
At 31 March 2016	2,892,131,561	289,213
Issue of shares upon scrip dividend of 2015/16 final and special dividends	68,722,840	6,872
Issue of shares upon scrip dividend of 2016/17 interim and special dividends	33,586,969	3,359
At 31 March 2017	2,994,441,370	299,444

## (a) Share options

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

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 authorized committee thereof considers, in its sole discretion, to have contributed to the Group.

The option period shall be notified by the Board to each grantee at the time of making an offer which shall not expire later than 10 years from the date of grant of the relevant option. The subscription price shall be determined by the Board at its absolute discretion but in any event shall not be less than the highest of: (i) the closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company. The Group has no obligation to repurchase or settle the options in cash. The outstanding share options of the Company were granted under the 2002 Share Option Scheme and the 2012 Share Option Scheme.

**23 Share capital (continued)****(a) Share options (continued)**

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

	No. of share options year ended 31 March	
	2017	2016
At beginning of the year	35,741,988	38,190,988
Lapsed	(752,000)	(2,449,000)
At end of the year	34,989,988	35,741,988

The expiry dates and subscription prices of the share options outstanding as at 31 March 2017 are set out as follows:

Expiry date	Subscription price per Share (HK\$)	No. of share options outstanding as at 31 March	
		2017	2016
<b>2002 Share Option Scheme</b>			
29 September 2020	3.16	582,000	602,000
16 June 2021	4.95	2,290,000	2,470,000
28 February 2022	4.77	22,145,988	22,145,988
28 June 2022	4.85	4,226,000	4,416,000
<b>2012 Share Option Scheme</b>			
20 June 2023	8.07	5,746,000	6,108,000
		34,989,988	35,741,988

**(b) Share award**

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 any selected employee under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company. Vesting of 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 from time to time.

During the year, the Company acquired 2,274,000 of its own shares on the Stock Exchange for the Share Award Scheme. The total amount paid to acquire these shares was HK\$5,343,000 and has been deducted from the shareholders' equity. During the year ended 31 March 2017, 222,721 shares of the Company were issued to Share Award Scheme in relation to scrip dividend.

## 23 Share capital (continued)

### (b) Share award (continued)

Movements in the number of shares awarded:

	Number of awarded shares year ended 31 March	
	2017	2016
At beginning of the year	1,100,000	1,220,000
Awarded (Note)	2,782,000	220,000
Vested	(2,595,000)	(30,000)
Lapsed	(567,000)	(310,000)
At end of the year	720,000	1,100,000

Note: Average fair value per share was HK\$3.35 (2016: HK\$2.73).

Details of the awarded shares outstanding as at 31 March 2017 were set out as follows:

Date of grant	Average fair value per share (HK\$)	Vesting period*	Number of awarded shares				Outstanding as at 31 March 2017
			Outstanding as at 1 April 2016	Awarded during the year	Vested during the year	Lapsed during the year	
30 Sep 2014	5.32	30 Sep 2014 to 30 Sep 2017	520,000	–	(165,000)	(190,000)	165,000
28 Nov 2014	5.83	28 Nov 2014 to 28 Nov 2017	200,000	–	(75,000)	(50,000)	75,000
31 Dec 2014	5.43	31 Dec 2014 to 31 Dec 2017	60,000	–	–	(60,000)	–
30 Jan 2015	5.02	30 Jan 2015 to 30 Jan 2018	120,000	–	(60,000)	–	60,000
31 Jul 2015	3.48	31 Jul 2015 to 31 Jul 2018	50,000	–	–	–	50,000
31 Dec 2015	2.62	31 Dec 2015 to 31 Dec 2018	50,000	–	–	(50,000)	–
29 Jan 2016	2.12	29 Jan 2016 to 29 Jan 2019	50,000	–	–	–	50,000
29 Feb 2016	2.40	29 Feb 2016 to 1 Mar 2019	50,000	–	–	(50,000)	–
30 Jun 2016	3.04	30 Jun 2016 to 30 Jun 2019	–	250,000	–	–	250,000
29 Jul 2016	3.38	29 Jul 2016 to 29 Jul 2019	–	2,327,000	(2,090,000)	(167,000)	70,000
18 Aug 2016	3.32	18 Aug 2016 to 31 Mar 2017	–	200,000	(200,000)	–	–
20 Feb 2017	3.41	20 Feb 2017 to 31 Mar 2017	–	5,000	(5,000)	–	–
			1,100,000	2,782,000	(2,595,000)	(567,000)	720,000

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

## 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	Translation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2016	786,189	(8,178)	11,783	64,009	46	(41,104)	1,186,328	1,999,073
Profit for the year	–	–	–	–	–	–	326,705	326,705
Other comprehensive loss:								
Actuarial gains on retirement benefit obligations	–	–	–	–	–	–	2,593	2,593
Cash flow hedges, net of tax	–	–	–	–	87	–	–	87
Currency translation differences of foreign subsidiaries recorded in translation reserve	–	–	–	–	–	(21,576)	–	(21,576)
Total comprehensive income for the year	–	–	–	–	87	(21,576)	329,298	307,809
Share Award Scheme:								
Value of employee services	–	–	–	8,377	–	–	–	8,377
Shares purchased for Share Award Scheme (Note 23(b))	–	(5,343)	–	–	–	–	–	(5,343)
Vesting of shares under Share Award Scheme	–	9,576	–	(9,429)	–	–	(147)	–
Employee share option scheme:								
Value of employee services	–	–	–	840	–	–	–	840
Lapse of share options	–	–	–	(1,258)	–	–	1,258	–
Issue of shares upon scrip dividend of 2015/16 final and special dividends (Note 23)	192,424	–	–	–	–	–	–	192,424
Issue of shares upon scrip dividend of 2016/17 interim and special dividends (Note 23)	102,104	–	–	–	–	–	–	102,104
Unclaimed dividends forfeited	–	–	–	–	–	–	274	274
Dividends:								
2015/16 final and special dividends	–	–	–	–	–	–	(419,359)	(419,359)
2016/17 interim dividend	–	–	–	–	–	–	(148,043)	(148,043)
2016/17 special dividend	–	–	–	–	–	–	(118,434)	(118,434)
Total transactions with owners, recognised directly in equity	294,528	4,233	–	(1,470)	–	–	(684,451)	(387,160)
At 31 March 2017	1,080,717	(3,945)	11,783	62,539	133	(62,680)	831,175	1,919,722

## 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	Translation 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 obligations	–	–	–	–	–	–	(3,241)	(3,241)
Cash flow hedges, net of tax	–	–	–	–	61	–	–	61
Currency translation differences of foreign subsidiaries recorded in translation reserve	–	–	–	–	–	(19,246)	–	(19,246)
Total comprehensive income for the year	–	–	–	–	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 options	–	–	–	(2,008)	–	–	2,008	–
Issue of shares upon scrip dividend of 2015/16 interim and special dividends (Note 23)	110,554	–	–	–	–	–	–	110,554
Unclaimed dividends forfeited	–	–	–	–	–	–	198	198
Dividends:								
2014/15 final and special dividends	–	–	–	–	–	–	(412,479)	(412,479)
2015/16 interim dividend	–	–	–	–	–	–	(142,234)	(142,234)
2015/16 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



## 25 Cash generated from operations

	2017 HK\$'000	2016 HK\$'000
Profit for the year	326,705	383,470
Adjustments for:		
– Income tax expense	78,693	86,985
– Depreciation of property, plant and equipment	102,977	123,291
– Impairment of property, plant and equipment	10,423	17,249
– Write-off of property, plant and equipment	1,979	2,667
– Provision for slow moving inventories and shrinkage	32,075	85,254
– Gains on disposal of property, plant and equipment	(315)	(4,257)
– Share-based payment	9,217	5,738
– Finance income	(10,105)	(9,380)
	551,649	691,017
Changes in working capital		
– Inventories	(160,590)	183,073
– Trade receivables	12,074	(27,658)
– Other receivables, deposits and prepayments	3,648	54,181
– Trade payables	52,418	(234,701)
– Other payables, accruals and retirement benefit obligations	(19,994)	(11,905)
Cash generated from operations	439,205	654,007

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

	2017 HK\$'000	2016 HK\$'000
Net book amount (Note 12)	–	248
Gains on disposal of property, plant and equipment	315	4,257
Proceeds from disposal of property, plant and equipment	315	4,505

## 26 Commitments

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

	2017 HK\$'000	2016 HK\$'000
Contracted but not provided for	13,506	6,626
Authorised but not contracted	194,273	132,580
	207,779	139,206

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.

As at 31 March 2017, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2017 HK\$'000	2016 HK\$'000
Land and buildings		
Within one year	823,776	858,100
In the second to fifth year inclusive	868,817	676,324
After the fifth year	799	1,387
	1,693,392	1,535,811

### (c) Operating leases rental receivables

As at 31 March 2017, the Group had total future aggregate minimum lease payments receivable under non-cancellable operating leases as follows:

	2017 HK\$'000	2016 HK\$'000
Land and buildings		
Within one year	27,270	42,190
In the second to fifth year inclusive	76,160	1,890
	103,430	44,080

## 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:

	2017 HK\$'000	2016 HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	43,327	43,298
Retirement benefit costs	1,969	2,139
Share-based payment	7,412	2,554
	52,708	47,991

#### (b) Interest of directors

There are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities (2016: 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 (2016: Nil).

## 28 Principal subsidiaries

Particulars of the principal subsidiaries at 31 March 2017:

Name	Place of incorporation/ establishment and 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
Astute Approach Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$7,300,001	100%
Base Sun Investment Limited	Hong Kong, limited liability company	Property holding	Ordinary HK\$100 Deferred HK\$2	100%
Bethany Services Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$198,001	100%

## 28 Principal subsidiaries (continued)

Particulars of the principal subsidiaries at 31 March 2017: (continued)

Name	Place of incorporation/ establishment and 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
Cosmic Rosy Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$1	100%
Cyber Colors Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US\$1	100%
Docile Company Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US\$2	100%
Dragon Gold Investments Limited	Hong Kong, limited liability company	Trading of cosmetic and skin care products	Ordinary HK\$2	100%
Dragonstar International Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$1	100%
Elegance Trading (Shanghai) Company Limited (Note 1)	PRC, limited liability company	Wholesale of cosmetic products	HK\$10,000,000	100%
Eleanor International Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US\$1	100%
Ever Bloom Development Limited	Hong Kong, limited liability company	Investment holding	Ordinary HK\$1	100%
Fielding Group Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$2	100%
Forever Best International Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$1	100%
Gig Limited	Samoa, limited liability company	Holding of intellectual property rights	Ordinary US\$1	100%
Hadatuko Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US\$1	100%
Highmove Enterprises Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$1	100%
Hong Kong Sa Sa (M) Sdn. Bhd.	Malaysia, limited liability company	Trading and retailing of cosmetic products	Ordinary RM20,000,000	100%
Léa Limited	Samoa, limited liability company	Holding of intellectual property rights	Ordinary US\$1	100%
Matford Trading Limited	Hong Kong, limited liability company	Property holding	Ordinary HK\$100 Deferred HK\$6	100%

## 28 Principal subsidiaries (continued)

Particulars of the principal subsidiaries at 31 March 2017: (continued)

Name	Place of incorporation/ establishment and 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
Methode Swiss Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US\$1	100%
Netcom Holdings Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$50,000	100%
New Image International Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$6	100%
Nouveau International Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$1	100%
Rosy Sino Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US\$1	100%
Sa Sa Boutique Limited	Hong Kong, limited liability company	Investment holding	Ordinary HK\$2	100%
Sa Sa Cosmetic (China) Company Limited (Note 2)	PRC, limited liability company	Trading and retailing of cosmetic products	HK\$205,000,000	100%
Sa Sa Cosmetic Company Limited	Hong Kong, limited liability company	Retailing and wholesaling of cosmetic products	Ordinary HK\$100 Deferred HK\$2	100%
Sa Sa Cosmetic Co. (S) Pte. Ltd.	Singapore, limited liability company	Trading and retailing of cosmetic products	Ordinary S\$19,500,000	100%
Sa Sa dot Com Limited	Hong Kong, limited liability company	E-commerce	Ordinary HK\$1,000,000	100%
Sa Sa Development Limited	Hong Kong, limited liability company	Property holding	Ordinary HK\$100	100%
Sa Sa Health Food Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$50,000	100%
Sa Sa Investment (HK) Limited	Hong Kong, limited liability company	Property holding	Ordinary HK\$100 Deferred HK\$2	100%
Sa Sa Investment Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$1	100%
Sa Sa International (Taiwan) Limited	British Virgin Islands, limited liability company	Trading and retailing of cosmetic products in Taiwan	Ordinary US\$6,880,000	100%
Sa Sa Making Life Beautiful Charity Fund Limited	Hong Kong, limited liability company	Charitable activities	Limited by guarantee	100%

## 28 Principal subsidiaries (continued)

Particulars of the principal subsidiaries at 31 March 2017: (continued)

Name	Place of incorporation/ establishment and 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 Nominees Limited	Hong Kong, limited liability company	Investment holding	Ordinary HK\$2	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	Ordinary US\$2	100%
Sasatinnie Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US\$1	100%
SkinPeptoxyl Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US\$1	100%
Soo Beauté Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US\$1	100%
S.P. Laboratories S.A.	Switzerland, limited liability company	Holding of intellectual property rights	Bearer CHF555,000	100%
Swiss Balance Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$1	100%
Swiss Rituel Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights	Ordinary US\$1	100%
Suisse Programme Limited	Gibraltar, limited liability company	Holding of intellectual property rights	Ordinary £100	100%
Whitfield Enterprises Limited	British Virgin Islands, limited liability company	Investment holding	Ordinary US\$2	100%
鄭州莎莎電子商務有限公司 (Note 3)	PRC, limited liability company	Import and export of goods	Nil (Note 3)	100%

Notes:

- 1) Elegance Trading (Shanghai) Company Limited is a wholly-owned foreign enterprise in the PRC.
- 2) Sa Sa Cosmetic (China) Company Limited is a wholly-owned foreign enterprise in the PRC.
- 3) 鄭州莎莎電子商務有限公司 is a wholly-owned foreign enterprise in the PRC. As at 31 March 2017, there was no paid up share capital. The remaining registered capital not yet paid up amounted to RMB500,000.

## 29 Statement of financial position and reserve movement of the Company

### Statement of financial position of the Company

	2017 HK\$'000	2016 HK\$'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investments in and amounts due from subsidiaries	1,547,362	1,885,800
Other assets	750	750
	1,548,112	1,886,550
<b>Current assets</b>		
Other receivables, deposits and prepayments	1,679	987
Time deposits	415,752	136,224
Cash and cash equivalents	1,988	122,494
	419,419	259,705
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Other payables and accruals	1,632	1,644
<b>Net current assets</b>	417,787	258,061
<b>Total assets less current liabilities</b>	1,965,899	2,144,611
<b>EQUITY</b>		
<b>Capital and reserves</b>		
Share capital	299,444	289,213
Reserves	1,666,455	1,855,398
<b>Total equity</b>	1,965,899	2,144,611

On behalf of the Board

KWOK Siu Ming Simon  
Director

KWOK LAW Kwai Chun, Eleanor  
Director

## 29 Statement of financial position and reserve movement of the Company (continued)

### Reserve movement of the Company

	Share premium HK\$'000	Shares held under the Share Award Scheme HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2016	786,189	(8,178)	11,783	64,009	1,001,595	1,855,398
Profit and total comprehensive income for the year	–	–	–	–	198,217	198,217
Share Award Scheme:						
Value of employee services	–	–	–	8,377	–	8,377
Shares purchased for Share Award Scheme	–	(5,343)	–	–	–	(5,343)
Vesting of shares under Share Award Scheme	–	9,576	–	(9,429)	(147)	–
Employee share option scheme:						
Value of employee services	–	–	–	840	–	840
Lapse of share options	–	–	–	(1,258)	1,258	–
Issue of shares upon scrip dividend of 2015/16 final and special dividends (Note 23)	192,424	–	–	–	–	192,424
Issue of shares upon scrip dividend of 2016/17 interim and special dividends (Note 23)	102,104	–	–	–	–	102,104
Unclaimed dividends forfeited	–	–	–	–	274	274
Dividends:						
2015/16 final and special dividends	–	–	–	–	(419,359)	(419,359)
2016/17 interim dividend	–	–	–	–	(148,043)	(148,043)
2016/17 special dividend	–	–	–	–	(118,434)	(118,434)
Total transactions with owners, recognised directly in equity	294,528	4,233	–	(1,470)	(684,451)	(387,160)
At 31 March 2017	1,080,717	(3,945)	11,783	62,539	515,361	1,666,455



## 29 Statement of financial position and reserve movement of the Company (continued)

### Reserve movement of the Company (continued)

	Share premium HK\$'000	Shares held under the Share Award Scheme HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 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 options	–	–	–	(2,008)	2,008	–
Issue of shares upon scrip dividend of 2015/16 interim and special dividends (Note 23)	110,554	–	–	–	–	110,554
Unclaimed dividends forfeited	–	–	–	–	198	198
Dividends:						
2014/15 final and special dividends	–	–	–	–	(412,479)	(412,479)
2015/16 interim dividend	–	–	–	–	(142,234)	(142,234)
2015/16 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