

Corporate Governance Report

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

Highlights in Corporate Governance Practices for 2020/21

Below are the highlights of our ongoing initiatives for the development of our corporate governance practices during the year ended 31 March 2021:

Hybrid AGM

- We held our first hybrid annual general meeting in August 2020. Using technology to combat the impact brought about by Covid-19, the hybrid meeting enabled shareholders to participate, vote and engage with the Board online notwithstanding the social distancing measures imposed restricting the number of shareholders who could attend the AGM physically.
- A full paperless e-voting was also adopted for the first time in the AGM, enhancing efficiency in both the poll voting process as well as the use of natural resources.

A Diverse and Engaged Board

- Our board is diverse not only in gender but also in skills, age, experience and educational background.
- Our directors continued to actively participate and contribute to the Company's affairs, achieving 100% attendance rate in both board and board committee meetings held during the year. Representatives from management attended some of these meetings to ensure a two-way flow of information and organisational effectiveness.

Importance of Continuous Professional Development

- Our board members recognised the importance of continuous professional development to keep their skills refreshed, relevant and up-to-date.
- During the year, the Directors undertook a total of 40 hours of continuous professional development together, amid the challenges brought about by Covid.

Compliance with Corporate Governance Code (CG Code)

The CG Code is the standard against which we measure ourselves. Throughout the year ended 31 March 2021, we have complied with all but one of the code provisions in the CG Code, but we also exceeded the CG Code in the following aspects:

- ✓ Extend the annual general meeting to online participation by way of a hybrid meeting, allowing shareholders the option of attending the AGM physically or online.
- ✓ Held a total of five board meetings and 20 board committee meetings with 100% attendance during the year.
- ✓ The Board evaluates its own performance and that of its committees every two years.
- ✓ We have formal criteria for the nomination and re-appointment of directors.
- ✓ We issue a formal letter of appointment for non-executive directors. The letter deals with a range of matters regarding a director's appointment and responsibilities.
- ✓ All members of our Audit Committee are independent non-executive directors as opposed to the majority.
- ✓ Members of the Audit Committee held two private meetings with the external auditor without the presence of any of our executive directors during the year.
- ✓ In addition to the Audit Committee, Nomination Committee and Remuneration Committee, we have established an Executive Committee and a Risk Management Committee, each with specific written terms of reference setting out clearly the individual committee's duties and authorities. Since the year 2018/19, we also have a Sustainability Steering Committee led by an executive director of the Company.
- ✓ The Board has established terms of reference, with a clear division of roles with management. These terms set out the Board's responsibility for formulation of strategy and its monitoring role.
- ✓ We have included a separate Enterprise Risk Management Report, which sets out Sa Sa's risk management framework and how Sa Sa manages the Group's material risks in our annual report.
- ✓ We have a formal Environmental, Social and Corporate Governance Policy and have published an Environmental, Social and Governance Report since 2012.
- ✓ We voluntarily announced our unaudited operational performance for all four quarters of the financial year and provided sales updates of our retail business in Hong Kong and Macau after the National Day Golden Week Holiday.
- ✓ Among other policies, we have a Whistleblowing Policy for employees, a Gifts and Entertainment Policy, and Guidelines on Prevention of Bribery Ordinance, all of which are published on our corporate website.
- ✓ We gave 27 clear business days' notice for our annual general meetings.
- ✓ To further increase efficiency of communication, protection of the environment and to save costs for the Company, arrangements have been made since 2009 to ascertain shareholders' preferences as to the means of receiving corporate communications and shareholders are encouraged to elect for electronic communications.

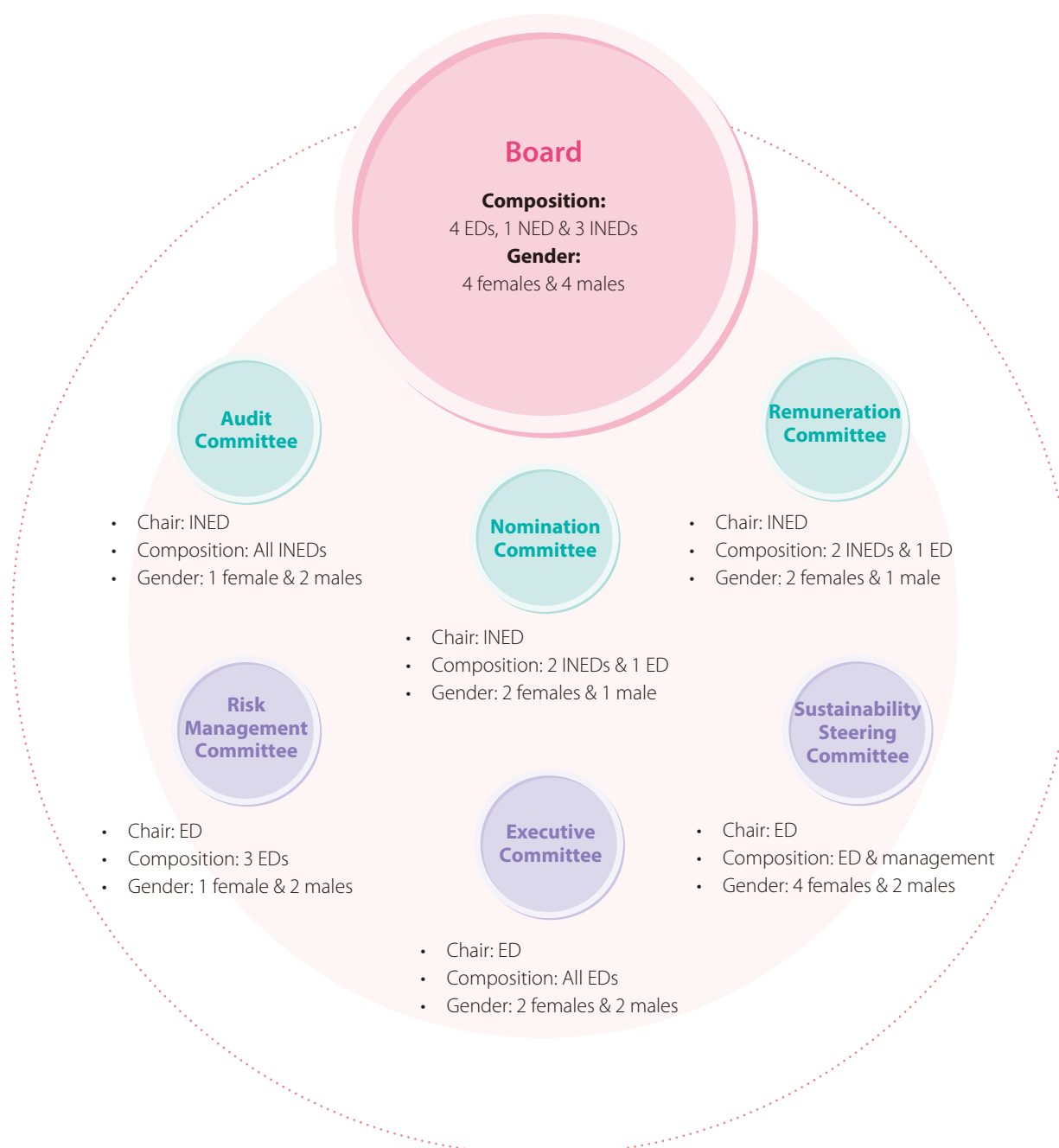
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Deviation from the Corporate Governance Code

Code Provision A.2.1

The roles of chairman and chief executive should be separate and should not be performed by the same individual under code provision A.2.1 of the CG Code. We have deviated from the code in that Dr KWOK Siu Ming Simon is both the chairman and CEO of the Company. The division of responsibilities between the two roles are, however, clearly established and set out in writing in the respective terms of reference for the chairman and the chief executive officer. Dr Kwok, being one of the founders of the Group, has superior knowledge of our business and is a veteran of the retail industry. The Board is therefore of the view that vesting the roles of chairman and chief executive officer in the same person facilitates the execution of the Group's business strategies and maximises the effectiveness of our operations. We will, nevertheless, periodically review the Board's structure going forward in light of the evolving needs of the Group and consider segregation of the two roles if and when appropriate.

Our Governance Structure



Corporate Governance at Sa Sa

Board Effectiveness

- Eight directors
- INEDs: 37%
- Female directors: 50%
- Average age: 61
- Board meetings attendance rate: 100%
- INEDs serving more than nine years: 67%
- Board evaluation: every two years
- Diverse board with multiple perspectives and, together, a wide range of skills and experience

Audit and Risk

- All members of Audit Committee are INEDs
- Audit Committee meetings attendance: 100%
- Members of Audit Committee meet with external auditor annually without presence of EDs
- Internal audit function in place
- Risk Management Committee established
- Enterprise risk management system in place
- Whistleblowing policy
- Policy in place to safeguard objectivity and independence of external auditor

Stakeholders

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

Leadership

Composition of the Board and Board Committees

Board



Dr KWOK Siu Ming Simon (Chairman and Chief Executive Officer)
Dr KWOK LAW Kwai Chun Eleanor (Vice-chairman)
Dr LOOK Guy (Chief Financial Officer)
Ms KWOK Sze Wai Melody

Ms LEE Yun Chun Marie-Christine
Ms KI Man Fung Leonie
Mr TAN Wee Seng
Mr CHAN Hiu Fung Nicholas

Audit Committee



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

Nomination Committee



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

Remuneration Committee



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

Executive Committee



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

Risk Management Committee



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

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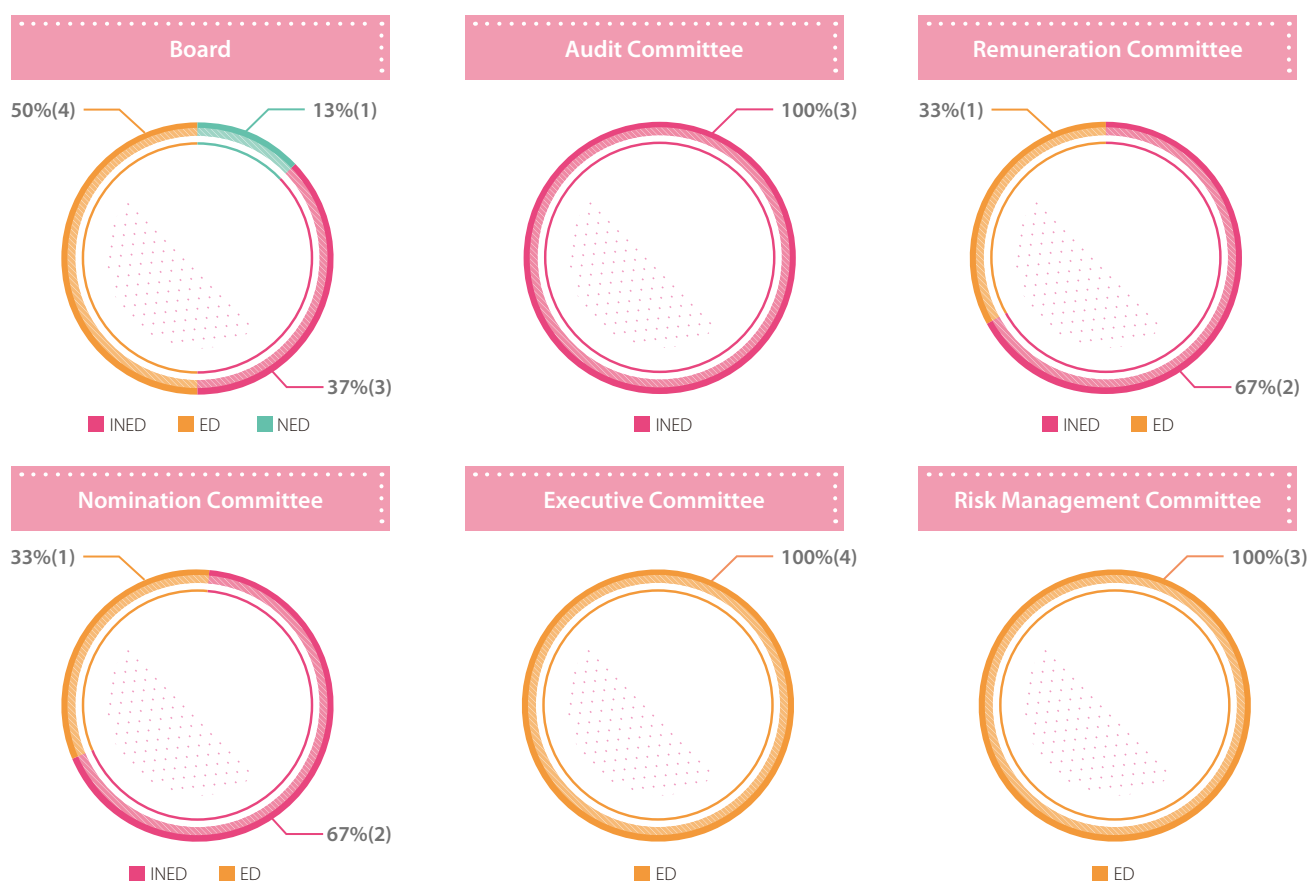
The Board has a balanced composition, comprising four executive directors, one non-executive director and three independent non-executive directors. This composition well fulfils the parameters of the CG Code, which requires listed issuers to have independent non-executive directors representing at least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

The biographical details of each of our directors, including the relationship between board members, are set out on pages 49 to 54 of this Annual Report. An updated list of our directors, identifying their respective roles and functions together with their biographical details, is displayed on the Stock Exchange's website and our corporate website.

Independence

We have a strong element of independence on the Board, providing independent and objective oversight on strategic issues and performance matters. The Audit Committee, Remuneration Committee and Nomination Committee are each chaired by an independent non-executive director.

Board Independence



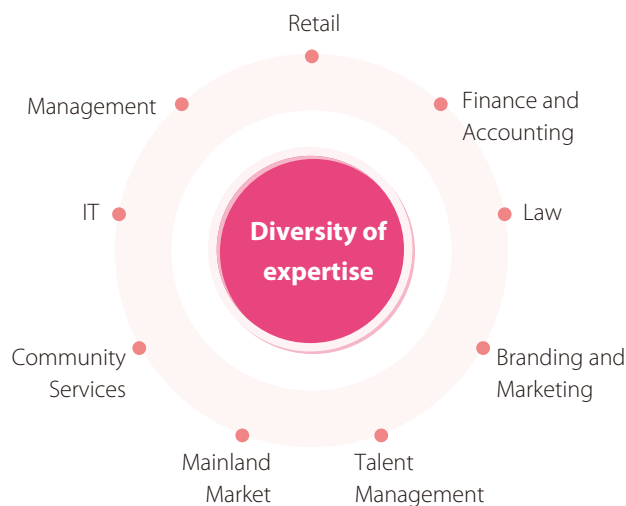
Some of our INEDs have served as our board members for more than nine years. While this could be relevant to the determination of independence, it is well recognised that an individual's independence cannot be determined arbitrarily on the basis of a set period of time. In assessing the independence of INEDs, the Board and the Nomination Committee consider the individual directors' character and judgement as demonstrated by their commitment and contribution to the Board during their years of service and other relevant factors. We are of the view that the INEDs who have served more than nine years, namely Ms Ki Man Fung Leonie and Mr TAN Wee Seng, despite their length of service, have always expressed their views independently, objectively and impartially, constructively challenging the views of the other directors and testing the arguments whenever necessary. Their length of service also means they have in depth knowledge of the Company and the challenges that it faces which assisted greatly with the determination of long term goals and strategies. The Board is satisfied that Ms Ki and Mr Tan remain independent despite their years of service and that they will continue to effectively contribute as board members. The Board is of the view that each of our INEDs meets the independence guidelines as set out in rule 3.13 of the Listing rules and that they are able to continue to fulfill their roles as required.

Board Diversity

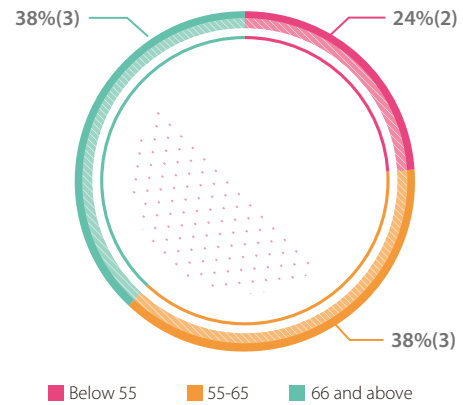
We recognise the benefit and value of diversity across the organisation, and endorse the view that a diverse board, with a breadth of perspective, is one of the key drivers of an effective board.

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

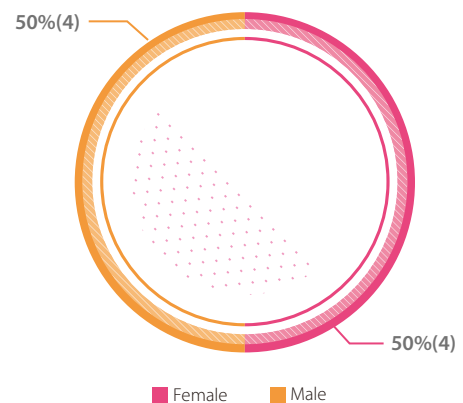
Our Board Diversity Policy reinforces the significant role women directors play in the Company and pledges to ensure a strong female representation at board level. Women directors made up 50% of our board members as at 31 March 2021. The policy will be reviewed periodically to ensure it remains relevant to the Company's needs and reflects both regulatory requirements and good corporate governance practices. A full version of the policy is set out below. It can also be found on our corporate website.



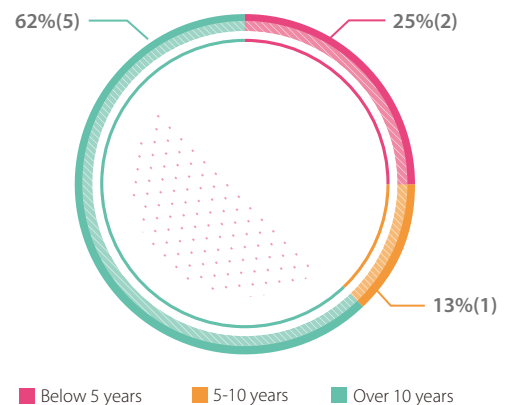
Age diversity



Gender diversity



Length of services



Corporate Governance Report

Board Diversity Policy

Purpose

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

Policy statement

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

Measurable objectives

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

Review and monitoring

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

Language version

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

Approval of this policy

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

Appointment and Re-election of Directors

All our NEDs (including INEDs) are appointed for a specific term of not more than three years. Newly appointed directors are required to offer themselves for re-election at the first Annual General Meeting (AGM) following their appointment. Under the articles of association of the Company, at least one-third of the directors are subject to retirement by rotation at the AGM at least once every three years. If so recommended by the Nomination Committee, retiring directors who are eligible may offer themselves for re-election by the shareholders at the AGM at which he or she retires.

Dr LOOK Guy, Ms KI Man Fung Leonie and Mr TAN Wee Seng will retire at the AGM to be held in September 2021. All of them, being eligible, would offer themselves for re-election by the shareholders at the AGM.

Further details in relation to the re-election of directors will be set out in the circular which will be dispatched to Shareholders together with the notice of AGM. We confirm that all Directors' appointments and re-elections were conducted in compliance with the articles of association of the Company and the CG Code in the year under review.

Nomination Policy

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

Our Nomination Criteria

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

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

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

Nomination Committee

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



Board

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



Shareholders

- Vote on the directors' re-appointment at the Company's AGM

Corporate Governance Report

Clear Division of Responsibilities

Between Chairman and Chief Executive Officer

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

In his capacity as chairman of the Board, Dr Kwok met with all the INEDs without the presence of other directors during the year ended 31 March 2021. In his capacity as the CEO of the Company, Dr Kwok meets with the other executive directors and management team regularly to ensure that issues requiring attention are handled efficiently and in a timely manner.

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

Chairman

Board effectiveness

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

Corporate goals and governance

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

Board business and discussion

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

Communication with shareholders

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

CEO

Management of the group's business and affairs

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

Quality information for the board

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

Executive Directors

In the year ended 31 March 2021, we have four executive directors who together form the Executive Committee. The committee, led by the CEO, is accountable to the Board while the executive directors are leaders of the management team. The role and responsibilities of, and details of work done by, the Executive Committee are set out on pages 70 and 74.

Non-Executive Directors (including INEDs)

Non-executive directors (including INEDs) are not part of the Company's management but they make a positive contribution to the development of the Group's strategy and policies. INEDs also scrutinise the Group's performance through informed insight and independent judgements. They have not been reserved in asking questions and challenging management's views and recommendations, which role is vital to fulfilling the objectives set by the Board. In order to preserve well-balanced governance, the Board has ensured that all members of the Audit Committee are INEDs, and that the majority of the members of the Nomination Committee and Remuneration Committee are INEDs.

The Board and the Management

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

Management for the purpose of this corporate governance report refers to the executive directors and senior management on pages 49 to 51 and 55 of this Annual Report, and all vice-presidents, department directors and associate directors. They are responsible for the day-to-day operations, management and administration of the Group under the leadership of the executive directors led by the CEO (Executive Committee). They also execute and implement strategies and directions determined by the Board. Their respective responsibilities are clearly established and set out in the Terms of Reference for the Board and the management, which is available on our corporate website. The management provides monthly updates to the Board to enable board members to discharge their duties more effectively.

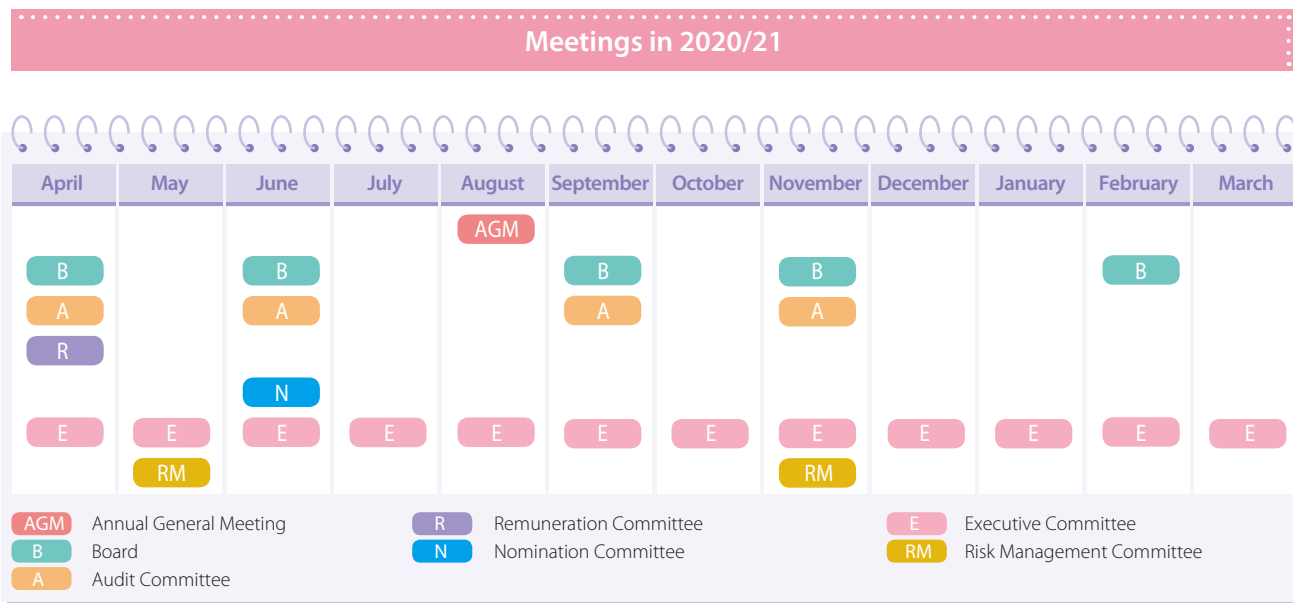
Members of our management are frequently invited to attend board meetings to report and engage in discussion with the Board in respect of strategy, budget planning, progress and performance updates. This is to ensure that the Board has a general understanding of the Group's business so that they can make informed decisions for the benefit of the Group. Members of the management are required to answer any questions or challenges posed by the Board. All board members also have separate and independent access to our management.

In addition to regular board meetings, twelve separate management meetings chaired by the CEO were held during the year to review, discuss and make decisions on financial and operational matters.

The department heads of major business units also met with the Executive Committee on a bi-weekly basis to report, enhance and strengthen cross-departmental communications and coordination.

Corporate Governance Report

Board, Board Committees and Annual General Meeting



Attendance at Meetings

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

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Executive Committee	Risk Management Committee	Annual General Meeting
Executive Directors							
Dr KWOK Siu Ming Simon	5/5	4/4*	1/1*	1/1*	12/12	2/2	1/1
Dr KWOK LAW Kwai Chun Eleanor	5/5	4/4*	1/1	1/1	12/12	2/2	1/1
Dr LOOK Guy	5/5	4/4*	N/A	N/A	12/12	2/2	1/1
Ms KWOK Sze Wai Melody	5/5	4/4*	N/A	N/A	12/12	1/1*	1/1
Non-Executive Director							
Ms LEE Yun Chun Marie-Christine	5/5	4/4*	N/A	N/A	N/A	N/A	1/1
Independent Non-Executive Directors							
Ms KI Man Fung Leonie	5/5	4/4	1/1	1/1	N/A	N/A	1/1
Mr TAN Wee Seng	5/5	4/4	N/A	1/1	N/A	N/A	1/1
Mr CHAN Hiu Fung Nicholas	5/5	4/4	1/1	N/A	N/A	N/A	1/1
Total number of meetings	5	4	1	1	12	2	1
Average attendance rate of directors [^]	100%	100%	100%	100%	100%	100%	100%

Notes:

Attendance is expressed as the number of meetings attended out of the number of meetings held.

Those marked with an (*) Attended as an invitee only.

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

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

Work done by the Board in the year ended 31 March 2021:

Five meetings (100% attendance rate)

Financial results

- ✓ Approved the annual results and annual report for the year ended 31 March 2020 and the performance of key business units against budget and the market.
- ✓ Approved the interim report and interim results announcement for the six months ended 30 September 2020.
- ✓ Considered the unaudited quarterly results.
- ✓ Approved the content of various corporate communications and disclosure including results announcement, annual report and circulars to the shareholders regarding the annual general meeting and share buy-back mandate.

Strategic planning and business

- ✓ Reviewed, discussed and considered the Group's affairs, including strategic plans, financial affairs, progress and updates of business performance and budget summary/proposals (with the presence of management from time to time).

Corporate governance

- ✓ Approved the re-appointment of Mr CHAN Hiu Fung Nicholas as INED.
- ✓ Approved the re-elections of Dr KWOK Siu Ming, Dr KWOK LAW Kwai Chun Eleanor, Ms KWOK Sze Wai Melody, Ms LEE Yun Chun Marie-Christine and Mr CHAN Hiu Fung Nicholas as directors at the annual general meeting held on 27 August 2020.
- ✓ Approved the re-appointment of PwC as auditor of the Company.
- ✓ Received reports from respective chairs of the different board committees.
- ✓ Approved the revised remuneration policy for directors and senior management and whistleblowing policy.
- ✓ Received the updates from ESG and investors' relations.

Model Code for Securities Transactions by Directors

We have adopted our own written policy regarding securities transactions on terms no less exacting than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (Model Code). The Model Code is extended to certain "relevant employees" who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities. We have received confirmation from all Directors and relevant employees that they have complied with the policy throughout the year under review.

Directors' and Officers' Insurance

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

Corporate Governance Report

Conflict of Interest

All Directors are required to comply with their common law duty to act in the best interests of the Company and to have particular regard to the interests of the Shareholders as a whole. Any perceived, potential or actual conflicts of interest between the Group and its directors are to be avoided. The Directors are required to disclose their interests, if any, in any transactions, arrangements or other proposals considered by the Board at board meetings. They are further required to abstain from voting if any conflicts of interest arise or if they become aware of any perceived or potential conflicts of interest. All declared interests are properly recorded and made accessible by board members. Directors have a continuing duty to inform the Board of any changes to these conflict situations. No conflicts of interest actually arose in the year under review.

Induction and Continuous Professional Development

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

Director's Role and Responsibilities

New Director's Induction



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

Continuous Professional Development



Joined the e-learning regarding connected transaction rules, notifiable transaction rules and equity fundraising rules.



Received corporate communications such as press releases and other news and updates related to our business and the regulatory environment.

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

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

Company Secretary

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

All board members have access to the advice and services of the Company Secretary at all times. The Company Secretary has complied with the requirement to undertake over 15 hours of professional training during the year under review.

Effectiveness

Board Evaluation

We have conducted board evaluations since 2016. A broad range of areas were assessed in our last board evaluations conducted in the year 2019/20, including board composition, sufficiency and effectiveness of the board committees, board process, board effectiveness, professional developments and, most importantly, the skills required of directors in the context of the Company's strategic development.

The Board is committed to reviewing its own performance and effectiveness at regular intervals of around two years. Our next evaluation will be conducted in the year 2021/22.

Delegation by the Board

As an integral part of good corporate governance and to enhance the function of the Board, five board committees – Audit Committee, Nomination Committee, Remuneration Committee, Executive Committee and Risk Management Committee – have been established. Board committees have delegated responsibilities as set out in their respective terms of reference and would make recommendations or report to the Board as appropriate.

Regular board committee meetings were held during the financial year and the number of meetings and attendance of individual committee members are set out on page 66. Throughout the year, the Board Chairman and Board Vice-chairman also attended the board committee meetings at the invitation of the board committees.

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

Board Committees

Board



Audit Committee

(All members are INEDs)

Key responsibilities:

To review and monitor the Group's relationship with the external auditor and the auditor's independence; to monitor the integrity of the Group's financial information and review significant reporting judgements contained in it; to oversee the Group's financial reporting; on behalf of the Board to review the effectiveness of internal control and risk management procedures; to consider major investigation findings on internal control matters and management's response to these findings; and the audit process.

Nomination Committee

(Majority of the members are INEDs)

Key responsibilities:

To make recommendations to the Board for selection of potential board members, appointment and re-appointment of directors; to review the structure, size and composition of the Board; to assess the independence of INEDs; and to determine the policy for nomination of directors.

Remuneration Committee

(Majority of the members are INEDs)

Key responsibilities:

To determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management; and giving due regard to the Company's financial status, to ensure the directors and senior management are fairly rewarded.

Executive Committee

(All members are EDs)

Key responsibilities:

To ensure successful implementation of the corporate strategy and directions of the Group as determined by the Board.

Risk Management Committee

(All members are EDs)

Key responsibilities:

To provide leadership to the management in relation to risk management and internal control, including monitoring the implementation of the enterprise risk management programme; to review and approve recommendations for engaging external consultants, delegated responsibilities for leading management in the establishment and maintenance of an appropriate and effective risk management and internal control system.

Audit Committee

Work done by the Audit Committee in the year ended 31 March 2021:

Four meetings (100% attendance rate)

Internal and external audit matters

- ✓ Reviewed the semi-annual summary of audit and non-audit services provided by the external auditor for the year ended 31 March 2020 and the six months ended 30 September 2020.
- ✓ Reviewed and discussed the internal audit activities conducted by the internal audit function, including:
 - Internal audit progress;
 - Significant internal audit findings and follow-up implementation status on prior audit findings;
 - Shop visits' progress and results;
 - ERM progress results;
 - Annual internal audit plan;
 - Annual review of internal audit function and staff resources for financial reporting functions; and
 - Major investigation findings on internal controls and management's response to these findings.

Risk management and internal control system

- ✓ Assessed and evaluated the effectiveness of the Group's risk management procedures and internal control system covering all material controls, including financial, operational and compliance controls and risk management functions and the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

Financial results

- ✓ Reviewed and discussed the annual results for the year ended 31 March 2020, including the annual results announcement and annual report, and made recommendations to the Board.
- ✓ Reviewed and discussed the interim results for the six months ended 30 September 2020, including the interim results announcement and interim report, and made recommendations to the Board.

Corporate governance

- ✓ Reviewed the revised whistleblowing policy.

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

Corporate Governance Report

Nomination Committee

Work done by the Nomination Committee in the year ended 31 March 2021:

One meeting (100% attendance rate)

Board composition

- ✓ Reviewed the structure, size and composition of the Board.
- ✓ Assessed the continued independence of each INED.

Re-appointment of directors

- ✓ Considered the re-appointment of Mr CHAN Hiu Fung Nicholas as INED.

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

Remuneration Committee

Work done by the Remuneration Committee in the year ended 31 March 2021:

One meeting (100% attendance rate)

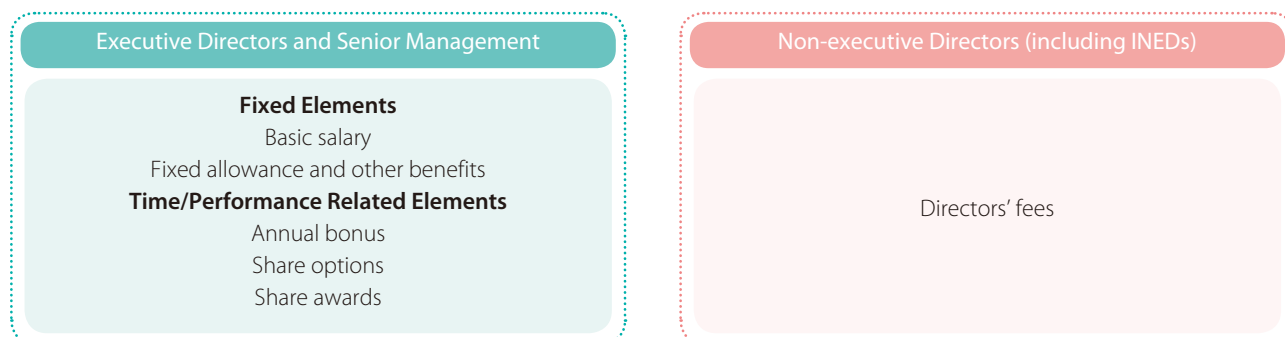
Determination of remuneration

- ✓ Reviewed and determined the remuneration of directors in consultation with the chairman of the Board and in accordance with the remuneration policy of the Group.
- ✓ Reviewed and approved the remuneration package proposal for management.

Corporate governance

- ✓ Reviewed the revised remuneration policy for directors and senior management.

Remuneration of Directors and Senior Management



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

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

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

In response to the financial impact caused by Covid-19, all Directors agreed to a temporary reduction in basic salary or director's fees in the year ended 31 March 2021, as follows:

Period	EDs (reduction percentage)	NED and INEDs (reduction percentage)
April 2020	75%	25%
May 2020 to March 2021	37.5%	12.5%

Please refer to note 7 to the consolidated financial statements on pages 178 to 182 for the total emoluments paid to each director and the emoluments of senior management in aggregate and by band for the year ended 31 March 2021.

Corporate Governance Report

Executive Committee

Work done by the Executive Committee in the year ended 31 March 2021:

12 meetings (100% attendance rate)

Strategy and budgeting

- ✓ Ensured successful implementation of the corporate strategy and directions of the Group.
- ✓ Reviewed business proposals, implementation plans, strategic plans and annual operating plans to ensure that they are in line with the corporate goals and objectives.
- ✓ Reviewed the budget, long-term plan, corporate goals and objectives, long-term business model and strategy.

Performance monitoring

- ✓ Reviewed the Group's results and performance against the market and budget.
- ✓ Reviewed the reasons for under/over performance against the market/budget and developed plans and strategies to adapt to market circumstances.
- ✓ Gave directions on and monitored the Group's performance throughout the year ended 31 March 2021:
 - Store openings and closures;
 - Sales performance;
 - Marketing and promotions;
 - Product development;
 - Branding management;
 - Inventory management;
 - IT strategy;
 - Human resources, training needs and staff performance;
 - Performance of the logistics function;
 - E-commerce strategies and performance.

The Committee proactively communicates with the NEDs and the management and is open and responsive to any issues raised by the NEDs (including the INEDs). The number of meetings held by the Executive Committee and the attendance of each individual committee members are set out on page 66. Members of the management are invited to attend as and when appropriate.

Risk Management Committee

Work done by Risk Management Committee in the year ended 31 March 2021:

Two meetings (100% attendance rate)

System and control

- ✓ Established and maintained appropriate and effective risk management and internal control systems with reports being made to the Board on any material deficiencies.

Enterprise risk management programme

- ✓ Reviewed and discussed the ERM progress and results for the year ended 31 March 2021 including:
 - Continuous assessment of existing and new risks that the Group faced;
 - Reviewed of risk indicators and assessed how risks were measured and managed;
 - Reviewed and assessed the risk trends and appropriateness of risk indicators;
 - Assessed the effectiveness of measures taken to manage risks.

For the meeting of the Risk Management Committee, representatives from the Internal Audit and Management Services Department also attended meetings at the invitation of the Committee. The number of meetings held by the Committee during the year and the attendance records of each individual committee members are set out on page 66. Please refer to pages 81 to 85 of the Enterprise Risk Management Report for further activities undertaken by this Committee.

Time Commitment of Directors

We recognise that it is important that all Directors should be able to contribute sufficient time to the Company to discharge their responsibility. All Directors have confirmed to the Company that they have given sufficient time and attention to the affairs of the Company and made contributions to the development of the Company's strategy and policies through independent, constructive and informed comments throughout the year under review.

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

Meeting Process of the Board and Board Committees

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

The Board meets at least four times a year at approximately quarterly intervals. We held five board meetings during the year ended 31 March 2021.

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

Corporate Governance Report

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

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

During the year, efficient hybrid (physical and virtual) board and board committee meetings took place using effective technology, after giving due weight and consideration to the health and safety of board members and employees within the context of the COVID-19 pandemic situation.

Accountability and Audit

Compliance with Laws and Regulations

To ensure that the Group complies with relevant laws and regulations and, where appropriate, meets or exceeds industry best practices, we constantly review our practices to keep up to date with the latest developments in regard to all relevant laws and regulations. Trainings on important topics such as the Listing Rules, anti-corruption procedures, data privacy, and trade description and practices are provided periodically.

Various policies and procedures including, among others, the Conflict of Interest Policy, Whistleblowing Policy for employees, and Gifts and Entertainment Policy, are in place, setting out the standards of conduct that our employees are required to follow. These policies and procedures are reviewed from time to time and updated where necessary and are made available to our employees through our Company's intranet, with some of the policies being published on our website.

The Company regards consumer protection legislation as having a significant impact on the Group and takes active steps to ensure compliance. There were no incidents of non-compliance during the year.

With respect to the protection of personal data, the Group has a compliance manual, which is a practical guide complete with examples and illustrations, case studies and compliance checklists aiming to assist employees to comply with their obligations under the laws and regulations governing personal data. The step-by-step compliance checklists cover the entire life cycle of personal data from their creation to destruction to ensure that the Group respects privacy concerns while using big data to drive business value.

Representatives from all departments in Hong Kong have attended compliance trainings on personal data privacy given by the legal team. In the year ended 31 March 2021, trainings were provided to new joiners. The Group's legal team also attended external seminars and workshops on a regular basis to keep informed of developments in this important area. Changes and additions to the privacy policy and additional control measures are implemented on a timely basis. Our privacy policy is in compliance with the European Union's General Data Protection Regulation.

Apart from personal data protection, we have also devised a compliance manual for due compliance of the Trade Descriptions Ordinance. Other than legal requirements, the manual highlights the need for reasonable due diligence in the procurement and quality control process. The manual also includes a full set of compliance checklists, which provide our colleagues with practical guidance to help them fulfill their duties. The legal team regularly reviews and improves marketing and promotional materials as well as product information to ensure that the information provided to consumers are accurate and not misleading.

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

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

In relation to information known to “insiders” of the Group but not generally known to the market i.e. inside information, the Group has in place an Inside Information Policy setting out controls with regard to the handling and disclosure of such inside information. The policy has been revised and updated to provide more examples and illustrations to facilitate understanding and compliance.

Risk Management and Internal Controls

The Group’s risk management and internal control systems is designed with reference to the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). The Board is accountable for overseeing the Group’s risk management and internal control systems and reviewing their effectiveness on an ongoing basis. The management and other personnel are responsible for implementing and maintaining a robust system of internal controls that covers governance, compliance and risk management, as well as financial and operational controls. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, rather than absolute assurance of the followings:

- appropriateness and effectiveness of risk management and internal control systems;
- compliance with applicable laws, regulations, contracts, policies and procedures;
- reliability and integrity of financial reporting;
- effectiveness and efficiency of operations; and
- prevention and detection of fraud and irregularities.

The Board has delegated to the Risk Management Committee the overall responsibility for leading the management in the establishment and maintenance of appropriate and effective risk management and internal control systems.

Risk Management Framework

Our Enterprise Risk Management (“ERM”) framework provides a systematic and disciplined approach to the risk management process, which is embedded in the system of internal controls and is an integral part of corporate governance. The ERM framework helps sustain business success, creates value for stakeholders and supports the Board in discharging its corporate governance responsibilities by proactively identifying, addressing and managing major risks within the Group.

Details of the ERM system and process are set out in the Enterprise Risk Management Report on pages 81 to 85 of this Annual Report.

Corporate Governance Report

Quality Management System

The Group is fully committed to quality management. To make more effective use of resources, the Group has decided not to renew International Organization for Standardisation ("ISO") 9001:2015 certificates for three departments in headquarters except the Logistics Department in Hong Kong and has passed the renewal audit of the ISO 9001:2015 certificate on 12 June 2020.

We will continually follow the standard procedures and control processes which have already been embedded in the daily operations, and will continue to benefit from operational efficiency and effectiveness in achieving our business goals. Compliance and significant risk areas will be reviewed by Internal Audit and Management Services Department ("IAMS Department") during individual audit engagement. The Group is planning to engage an external consultant to carry out an assessment and control review project for the Information Technology Department to improve its information security management system by benchmarking against ISO 27001 requirements.

Internal Audit Function

The IAMS Department is an independent and objective function that reports directly to the Audit Committee on a quarterly basis. The head of IAMS Department has direct access to the Chairman of the Audit Committee. In addition, the IAMS Department has unfettered access to review all aspects of the Group's activities, as well as corporate governance, risk management and control processes. It assists the Board to independently review the effectiveness of the risk management and internal control systems to seek continuous improvement. The Internal Audit Charter, approved by the Audit Committee and adopted by the Board, is available on the Company's website.

In order to maintain a high level of professionalism and to provide an effective and value-added service, members of the IAMS Department are continuously encouraged to attend relevant external workshops or seminars and conduct online self-study to keep abreast of the latest developments. Below is a summary of the external trainings attended by members of the IAMS Department for the year ended 31 March 2021:

Participation in Trainings and Continuous Professional Development of the IAMS Department			
	Business & General Management	Governance, Risk & Control	Information Security
No. of events	1	4	6

Internal Audit Activities

The IAMS Department adopts a risk-based approach to developing the annual and revised quarterly audit plans that are aligned to the ERM framework and are strategic and objective centric. Potential auditable activities are identified, prioritised and scoped based on our dynamic and continuous risk assessment that covers business activities with material risks across the Group. For individual internal audit assignments, we have shifted to an agile approach to the three key stages of our audits – planning, fieldwork and reporting. This agile approach allows the IAMS Department to place more focus on value and risk by prioritising the right projects at the right depth. This gives the IAMS Department more intensive oversight, and allows it to enhance its abilities to provide more timely assurance, thereby eradicating low-value work and realising efficiencies. The Audit Committee reviews and approves the annual audit plan and all major subsequent changes made in the regular meetings. Significant financial, operational, compliance and fraud risk areas are further assessed during individual audit engagement to evaluate control effectiveness and mitigation measures taken by management.

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

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

Review of Risk Management and Internal Control Effectiveness

Through the Audit Committee, the Board has conducted an annual review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 March 2021, covering all material financial, operational and compliance controls. The Board considers the Group's risk management and internal control systems to be effective and adequate. There were no suspected material irregularities or significant areas of concern identified during the year that might cause potential impact to our Shareholders.

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

The Auditor

We engage PwC as our external auditor. We have received a written confirmation from PwC confirming that it is independent and that there are no relationships between PwC and the Company that are likely to impair its independence. The roles and responsibilities of our external auditor are stated in the Independent Auditor's Report on pages 147 to 151.

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

For the year ended 31 March 2021, the fees paid by the Group to PwC amounted to approximately HK\$3,564,000, comprising audit fees of HK\$2,568,000 and non-audit fees of HK\$996,000. The non-audit services consisted of tax advisory services, interim review, turnover certificate, transfer pricing analysis, and other services.

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

Corporate Governance Report

Shareholders

2021 Annual General Meeting

The AGM provides the Board with an opportunity to meet and engage directly with our Shareholders. The AGM for the financial year ended 31 March 2021 will be held on or around Wednesday, 15 September 2021. Separate resolutions will be proposed at the meeting on each substantially separate issue and all voting will be conducted by poll. Notice of the AGM together with a circular, which sets out each resolution to be proposed at the AGM, will be dispatched to the Shareholders on or around 19 July 2021.

Shareholders' Rights

Our Shareholders have the right to convene general meetings and to put forward proposals, details of which can be found on our website and on pages 124 to 131 of the "Investor Relations Report" in this Annual Report.

Shareholders are also welcome to make enquiries to the Board. For the procedure and contact details, please refer to pages 124 to 131 of the "Investor Relations Report" in this Annual Report.

Dividend Policy

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

Policy statement

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

Scrip dividend alternative

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

Unclaimed dividends

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

Other Shareholder-related Information

For details of the 2020 annual general meeting, upcoming important dates and year-end public float capitalisation, please refer to pages 124 to 131 of the "Investor Relations Report" in this Annual Report.

Directors' Acknowledgement

The Directors collectively acknowledge their responsibility for preparing the financial statements of the Company and its subsidiaries for the year ended 31 March 2021.