Significant Accounting Policies

Apart from the accounting policies presented within the corresponding notes to the consolidated financial statements, other significant accounting policies are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1 Basis of preparation

Sa Sa International Holdings Limited (the "Company") and its subsidiaries are collectively referred as the Group in the consolidated financial statements. The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in "Critical Accounting Estimates and Judgements" on page 199.

2 Changes in accounting policies and disclosures

(i) Amendments to standards and interpretation mandatory for the first time for the financial year beginning 1 April 2018 and were early adopted in prior years

- HKAS 28 (Amendment), "Investments in Associates and Joint Ventures"
- HKFRS 2 (Amendment), "Classification and Measurement of Share-based Payment Transactions"
- HK (IFRIC) 22, "Foreign Currency Transactions and Advance Consideration"

(ii) New standards and amendments to standard mandatory for the first time for the financial year beginning 1 April 2018 and were not early adopted in prior years

- HKFRS 1 (Amendment), "First Time Adoption of HKFRS"
- HKFRS 9, "Financial Instruments"
- HKFRS 15, "Revenue from Contracts with Customers"
- HKFRS 15 (Amendment), "Clarification to HKFRS 15"

The impact of the adoption of HKFRS 9, "Financial Instruments" and HKFRS 15, "Revenue from Contracts with Customers" are disclosed below. The other amendments to standard did not have any material impact on the preparation of the consolidated financial statements.

2 Changes in accounting policies and disclosures (continued)

(ii) New standards and amendments to standard mandatory for the first time for the financial year beginning 1 April 2018 and were not early adopted in prior years (continued)

HKFRS 9, "Financial Instruments"

(i) Impact of adoption

HKFRS 9, "Financial Instruments" replaces the provisions of HKAS 39, "Financial Instruments: Recognition and Measurement" that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 "Financial Instruments" from 1 April 2018 resulted in changes in accounting policies which set out in Note 7 in "Significant Accounting Policies" and Note 22 to the consolidated financial statement below. In accordance with the transition provisions in HKFRS 9, comparative figures have not been restated. The impacts of the adoption of HKFRS 9 are as follows:

Classification and measurement

On 1 April 2018, the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into appropriate HKFRS 9 categories. The Group's financial assets classified as loans and receivables, including "other receivables and deposits", "trade receivables", "time deposits" and "cash and cash equivalents", meet the conditions for classification at amortised costs under HKFRS 9. Therefore, there were no changes to the classification and measurement of financial instruments.

Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. The Group's financial assets are subject to the new ECL model of this new HKFRS.

The Group has below types of financial assets that are subject to HKFRS 9's new ECL model:

- Trade receivables
- Other receivables and deposits
- Time deposits
- Cash at bank and short-term bank deposits

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. There is no impact of the change in impairment methodology on the Group's retained earnings and equity.

Trade receivables

The Group has applied the simplified approach and has calculated ECLs based on lifetime ECL. The Group has reviewed the calculation of provision which is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The identified impairment loss was immaterial.

2 Changes in accounting policies and disclosures (continued)

(ii) New standards and amendments to standard mandatory for the first time for the financial year beginning 1 April 2018 and were not early adopted in prior years (continued)

HKFRS 9, "Financial Instruments" (continued)

(i) Impact of adoption (continued)

Impairment of financial assets (continued)

Other receivables and deposits

Other receivables and deposits at amortised cost are considered to be low risk, and therefore the loss allowance is determined as 12 months ECL. The resulted increase of loss allowance for deposits and other receivables on 1 April 2018 was immaterial. The Group assessed for their impairment based on 12-month ECL: 12-month ECLs are the portion of lifetime ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the asset is less than 12 months). However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

While time deposits, cash at bank and short-term bank deposits are also subject to impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Hedge accounting

The new hedge accounting rules aligns the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be necessary to be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group has concluded that all current hedge arrangements are still eligible for hedge accounting under HKFRS 9 and there is no significant impact to the consolidated financial statements.

HKFRS 15, "Revenue from Contracts with Customers"

HKFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the Group's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The adoption of HKFRS 15 has resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transition provisions in HKFRS 15, the Group elected to use a modified retrospective approach which allows the Group to recognise the accumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. Thus, the comparative figures have not been restated.

The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and related interpretations. The new accounting policies are set out in Note 2. The impacts of the adoption of HKFRS 15 are as follows:

Presentation of contract liabilities

Certain "customers' deposits and temporary receipts" which were previously included in other payables and accruals amounting to HK$19,400,000 as at 1 April 2018, are now included under contract liabilities to reflect the terminology of HKFRS 15.

Timing of revenue recognition

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sale of goods.

2 Changes in accounting policies and disclosures (continued)

(iii) The following new standard and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2018 and have not been early adopted

- HKAS 1 (Amendment), "Amendments to Definition of Material" (effective for annual periods beginning on or after 1 April 2020). The amendment uses a consistent definition of materiality throughout HKFRS and the Conceptual Framework for Financial Reporting, clarifies the explanation of the definition of material, and incorporates some of the guidance in HKAS 1 about immaterial information.

- HKFRS 3 (Amendment), "Definition of a Business" (effective for annual periods beginning on or after 1 April 2020). The amendment revises the definition of business which an acquisition would have an input and substantive process that together significantly contribute to the ability to create outputs. This amendment also provides a framework to evaluate when an input and a substantive process are present.

- HKFRS 9 (Amendment), "Prepayment Features with Negative Compensation" (effective for annual periods beginning on or after 1 April 2019). The narrow-scope amendments made to HKFRS 9 Financial Instruments in December 2017 enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model.

- HKFRS 16, "Leases" (effective for annual periods beginning on or after 1 April 2019)

HKFRS 16, "Leases"

(i) Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

(ii) Impact

The Group intends to apply the modified retrospective approach and will recognise the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 April 2019 and will not restate comparative information.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK$1.5 billion (Note 27(b)). Of these commitments, approximately HK$2.2 million relate to short-term leases which will be recognised on a straight-line basis as expense in the profit or loss in the year ending 31 March 2020. For the remaining operating lease commitments, the Group expects to recognise both right-of-use assets and lease liabilities of approximately HK$1.7 billion on 1 April 2019 (before the adjustment of deferred tax). In addition, the application of new requirements may result in changes in measurement, presentation and disclosure of leases.

2 Changes in accounting policies and disclosures (continued)

(iii) The following new standard and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2018 and have not been early adopted (continued)

HKFRS 16, "Leases" (continued)

(iii) Date of adoption by the Group

HKFRS 16 is mandatory for financial years starting on or after 1 April 2019. The new standard is not expected to be applied by the Group until the financial year ending 31 March 2020. The Group intends to apply the modified retrospective approach and will recognise the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 April 2019 and will not restate comparative information. Right-of-use assets will be measured on transition as if the new rules had always been applied.

Apart from aforementioned HKFRS 16, the directors of the Company are in the process of assessing the financial impact of the adoption of the above amendments to standards. The directors of the Company will adopt the amendments to standards when it is appropriate to do so.

3 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the financial statements of the Company exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

5 Operating leases

Leases in which a significant portion of the risks and rewards of ownership retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the asset is included in the the statement of financial position based on the nature of the asset.

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

6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

7 Financial assets

(i) Classification

From 1 April 2018, the Group classifies its financial assets in those to be measured at subsequently at fair value (either through other comprehensive income or profit or loss) and those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains – net" together with foreign exchange gains and losses.

(iv) Impairment

From 1 April 2018, the Group assesses on a forward looking basis the ECL associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires ECL to be recognised from initial recognition of the receivables. See Note 17 for further details.

(v) Accounting policies applied until 31 March 2018

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 March 2018, the Group classifies its financial assets as loans and receivables.

7 Financial assets (continued)

(v) Accounting policies applied until 31 March 2018 (continued)

The classification determined on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition. The Group's loan and receivables comprise trade and other receivables (Note 14, 17 and 18) and cash and bank balances (Note 19) in the consolidated statement of financial position.

(1) Subsequent measurement

The measurement at initial recognition did not change upon adoption of HKFRS 9, see description above.

Subsequent to the initial, recognition loans and receivables were subsequently carried at amortised cost using the effective interest method.

(2) Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in income statement. If a loan had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in income statement.

Impairment testing of trade receivables is described in Note 1(ii) in "Financial Risk Management".

8 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is the Company's functional and the Group's and the Company's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses are presented in the income statement within "other gains – net".

8 Foreign currency translation (continued)

(iii) Group companies

The results and financial positions of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

9 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefit obligations

The Group operates various post-employments scheme, including defined contribution and defined benefit retirement plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in income statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

9 Employee benefits (continued)

(ii) Retirement benefit obligations (continued)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Long service payments

The Group's net obligation in respect of amounts payable on cessation of employment in certain circumstances under the employment law of the respective countries in which the Group operates is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Long service payments are assessed using the projected unit credit method. The cost of providing the long service payment liabilities is charged to the income statement so as to spread the cost over the service lives of employees in accordance with the advice of the actuaries.

Long service payments are discounted to determine the present value of obligation and reduced by entitlement accrued under the Group's defined contribution plans that are attributable to contributions made by the Group. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income statement.

(iv) Bonus plan

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liability for bonus plan is expected to be settled within 12 months and is measured at the amount expected to be paid when it is settled.

(v) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange of these benefits. The Group recognises termination benefits at the earlier or the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits.

10 Share-based payment

(i) Equity-settled share-based payment transactions

The Group operates two equity-settled, Share Option Scheme and Share Award Scheme, under which the entity receives services from employees as consideration for equity instruments (options or awarded shares) of the Group. The fair value of the employee services received in exchange for the grant of the options or awarded shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted or shares awarded:

- including any market performance conditions (for example, an entity's share price); and

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period).

10 Share-based payment (continued)

(i) Equity-settled share-based payment transactions (continued)

Non-market performance and service conditions are included in assumptions about the number of options or awarded shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options or awarded shares that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

Upon vesting and transfer of the awarded shares to the awardees, the related costs of the awarded shares are credited to shares held under the Share Award Scheme, and the related fair value of the shares are debited to employee share-based compensation reserve.

(ii) Share-based payment transactions among group entities

The grant by the Company of options or share awards over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

(iii) Share held for share award scheme

When the Company's share are acquired from the market by the trust set up by the Company under the Share Award Scheme, the total consideration of shares acquired from the market (including any directly attributable incremental costs) is presented as "Shares held under the Share Award Scheme" and deducted from total equity. Upon vesting, the related costs of the vested shares for Share Award Scheme purchased from the market are credited to "Shares held under the Share Award Scheme", with a corresponding decrease in "Employee share-based compensation reserve" for Share Award Scheme.

11 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

12 Provisions

Provisions are recognised when the Group has a present legal and 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 can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligations 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.