

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.”

Dr KWOK Siu Ming Simon, SBS, JP
Chairman and Chief Executive Officer

Highlights in Corporate Governance Practices for 2018/19

Below are the highlights of our ongoing initiatives for the development of our corporate governance practices during the year ended 31 March 2019:

Active Participation of Directors

Our directors continued to participate and contribute to the Company's affairs actively. Five board meetings and 18 board committee meetings were held in the year with 100% participation rate by the directors in board meetings and meetings of the Audit Committee, Nomination Committee and Remuneration Committee. Representatives from management attended some of these meetings ensuring a two-way flow of information and organisational effectiveness.

Board Evaluation

Our last board evaluation was conducted in 2016. Recognising that Board's performance and effectiveness is central to corporate governance, a decision was made in the financial year to conduct another more in-depth evaluation in the year 2019/20. Going forward, the Board is committed to reviewing its own performance and effectiveness at regular intervals of around two years.

Process Improvement and Policy Enhancement

- We continued to improve our governance process through raising awareness, and the use of plain language and illustrations. Improvements were made to the Inside Information Policy, connected transactions guide and declaration documents, and the Model Code related documentation during the year.
- Policy-wise, we have updated our Board Diversity Policy and Nomination Policy, and adopted a written Dividend Policy, as to which, please see pages 114, 115 and 121.

Continuous Professional Developments

Our directors enhanced and refreshed their skills primarily through:

- regular review of market, industry and regulatory updates;
- external seminars and workshops;
- internal briefings provided by the Company Secretary; and
- in-house trainings or executive workshops provided by external consultants organised by the Company.

The focused areas in the year 2018/19 were cyber security, Hong Kong Financial Reporting Standards (HKFRS) 16, changes to the Listing Rules and Corporate Governance Code, and sustainability.

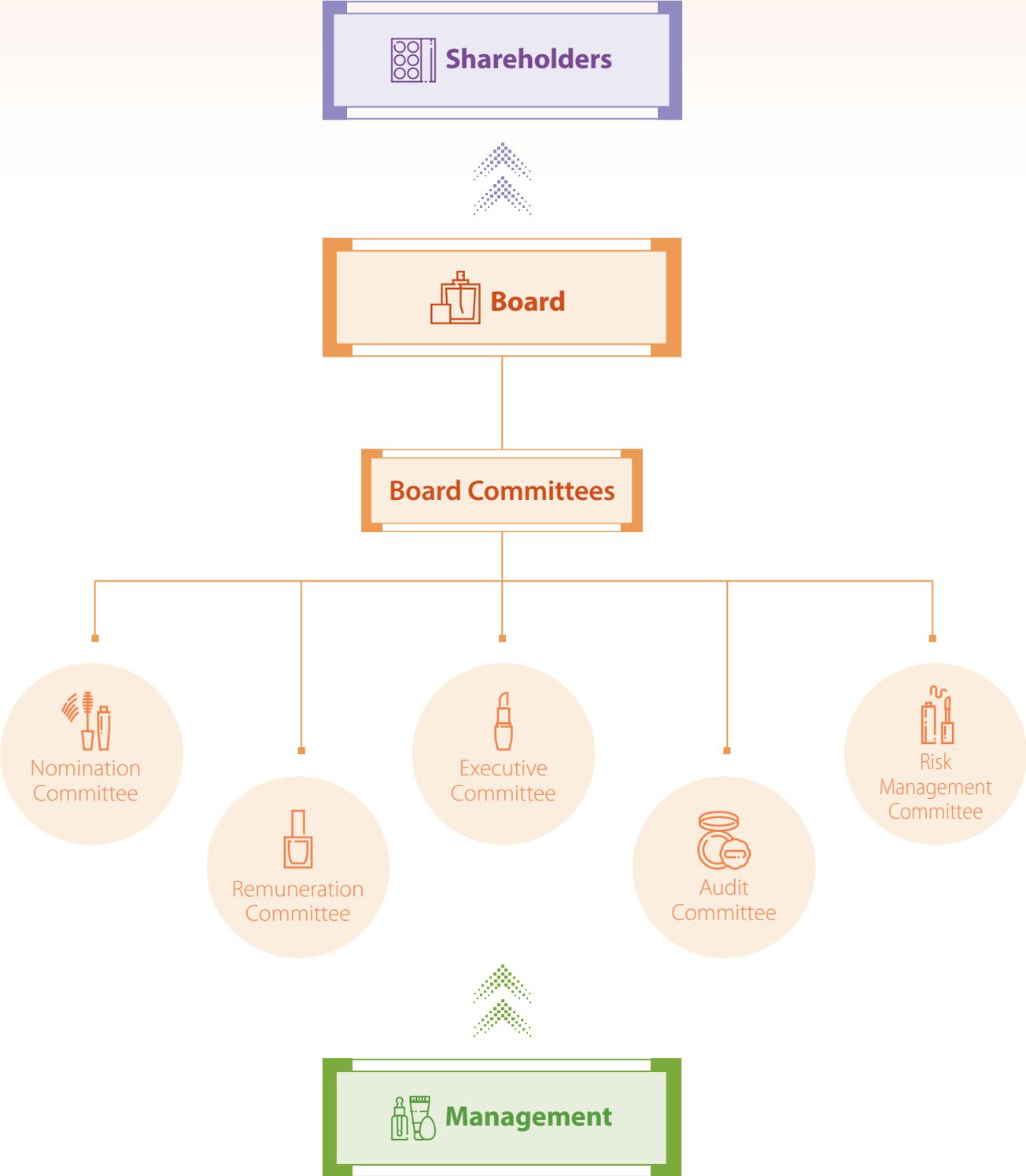
Compliance with Corporate Governance Code (CG Code)

The CG Code is the standard against which we measure ourselves. Throughout the year ended 31 March 2019, 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:

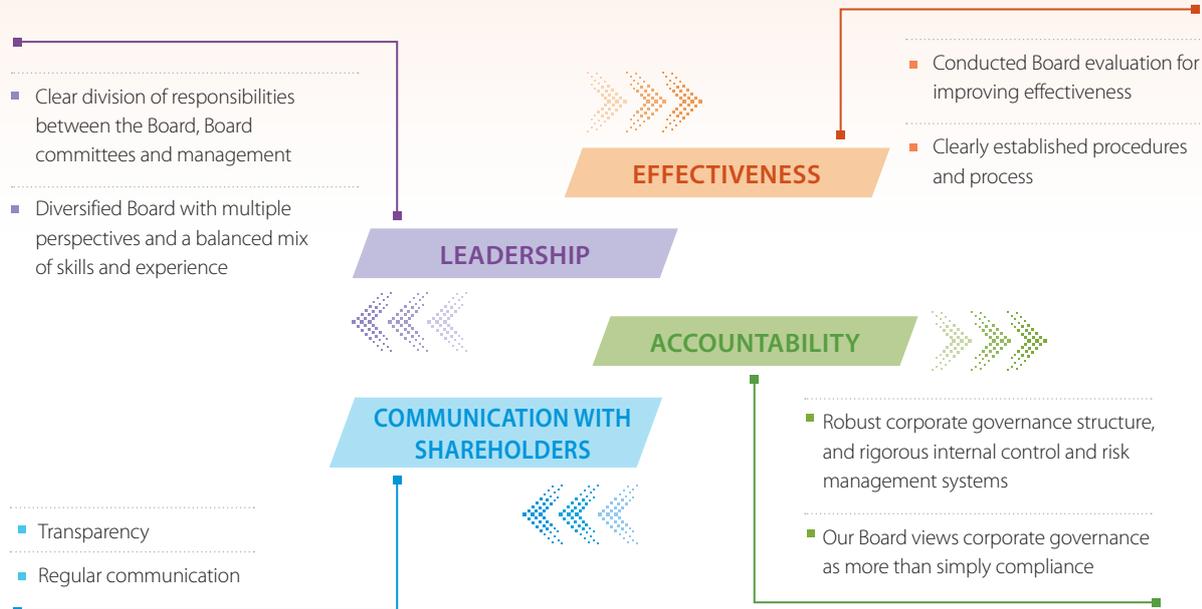
- ✓ Conducts board evaluation periodically.
- ✓ Majority of our Board members are non-executive directors.
- ✓ We have formal criteria for the nomination and re-appointment of directors.
- ✓ We issue a formal letter of appointment for non-executive directors. The letter deals with a range of matters regarding a director's appointment and responsibilities.
- ✓ All members of our Audit Committee are independent non-executive directors.
- ✓ 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.
- ✓ 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 as well as sales updates of our retail business in Hong Kong and Macau after the Chinese New Year, Labour Day Holiday and 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 give 30 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.
- ✓ The Audit Committee, Remuneration Committee and Nomination Committee are all chaired by an independent non-executive director.

In respect of the one deviation from the CG Code, the roles of the chairman and chief executive officer are currently held by the same individual, namely, Dr KWOK Siu Ming Simon. 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



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 LEE Yun Chun Marie-Christine
 Ms TAM Wai Chu Maria
 Ms KI Man Fung Leonie
 Mr TAN Wee Seng

Audit Committee



Mr TAN Wee Seng (Chair)
 Ms TAM Wai Chu Maria
 Ms KI Man Fung Leonie

Nomination Committee



Ms TAM Wai Chu Maria (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
 Ms TAM Wai Chu Maria

Executive Committee



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

Risk Management Committee



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

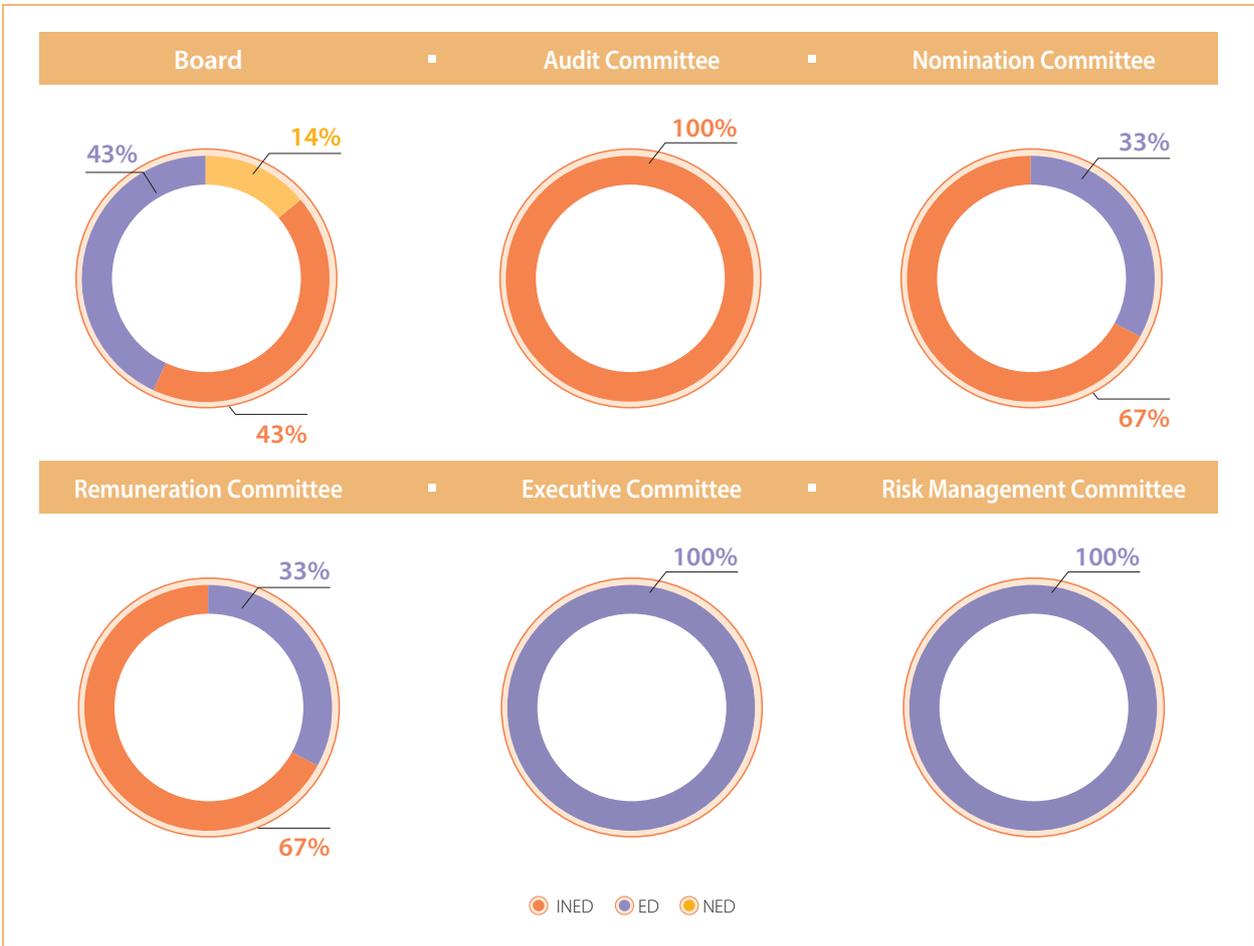
The Board has a balanced composition, comprising three executive directors, one non-executive director and three independent non-executive directors. This composition well fulfils the parameters of the CG Code, which requires listed issuers to have independent non-executive directors representing at 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 60 to 65 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 Committees are each chaired by an independent non-executive director.

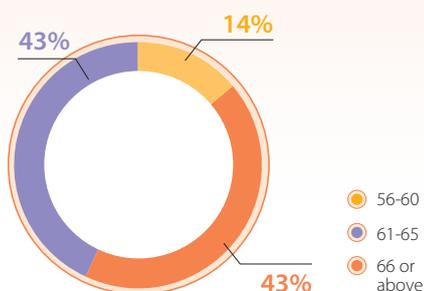
Board Independence



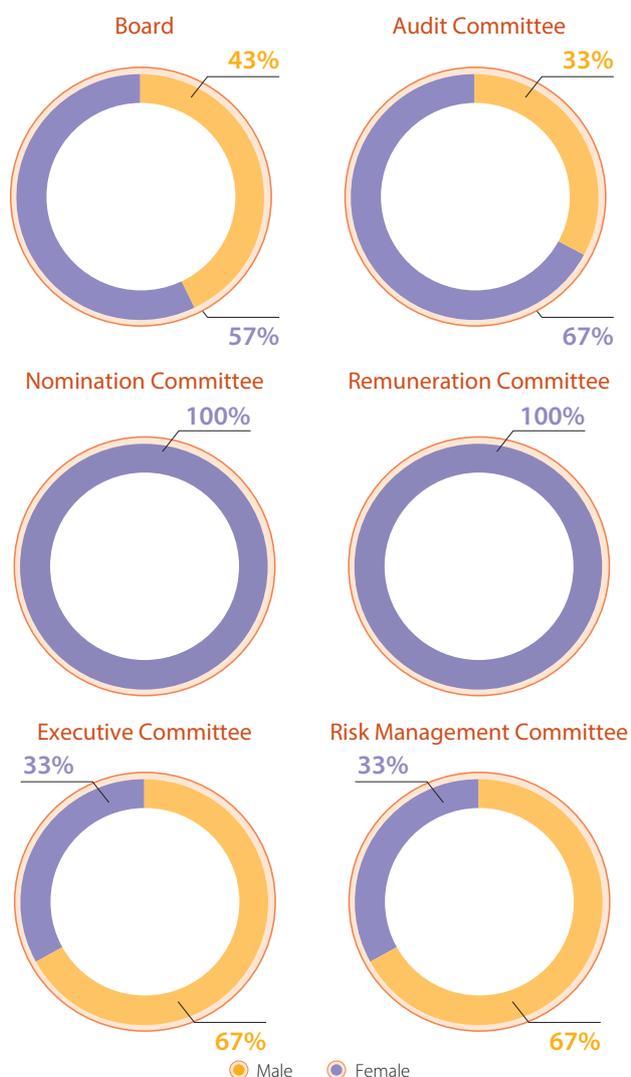
All our INEDs have served as our Board members for more than nine years. While this could be relevant to the determination of independence, it is well recognised that an individual’s independence cannot be determined arbitrarily on the basis of a set period of time. In assessing the independence of INEDs, 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. Our INEDs, despite their length of service, provide invaluable expertise, experience, continuity and stability to the Board. We are confident the Company has benefited greatly from their contribution and valuable insights derived from their in-depth knowledge of the Company. The Board is of the view that each of our INEDs meets the independence guidelines 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

Age Diversity



Gender 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 diversified Board in terms of gender, academic background, nationality, professional experience, and industry experience. Over 40% of our directors have either obtained a PhD or have been conferred an Honorary Doctorate degree. We have directors who are not of Chinese nationality, and also directors with in-depth knowledge of China, a market on which we place great emphasis. Collectively, the Board possesses experience in retail, finance and accounting, law, branding and marketing, talent management, China market, community services and management.

During the year, we further enhanced our Board Diversity Policy, committing to consider the benefits of all aspects of diversity in the consideration and review of Board composition. While the ultimate decision of all board appointments would be based on meritocracy and the contributions that the director candidate is expected to bring, both the Nomination Committee and the Board would give considerable weight to ensuring a diverse board with balanced composition.

The 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 57% of our Board members as at 31 March 2019. 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.

Diversity of expertise

- Retail
- Finance and Accounting
- Law
- Branding and Marketing
- Talent Management
- China Market
- Community Services
- Management

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 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 Annual General Meeting (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.

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.

Dr LOOK Guy, Ms TAM Wai Chu Maria and Mr TAN Wee Seng will retire from office by rotation at the AGM to be held on 2 September 2019. Dr LOOK Guy and Mr TAN Wee Seng, being eligible, will offer themselves for re-election by the shareholders at the AGM. Ms TAM Wai Chu Maria, after having served on the Board for more than 15 years, will retire as INED of the Company upon conclusion of 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.

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. The policy 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.



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 has met with all the INEDs without the presence of other directors every year since 2012. 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	CEO
<p>Board Effectiveness</p> <ul style="list-style-type: none"> Provides leadership to the Board to enable it to discharge its functions effectively. <p>Corporate Goals and Governance</p> <ul style="list-style-type: none"> 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. 	<p>Management of the Group's Business and Affairs</p> <ul style="list-style-type: none"> 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 that reflect the 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.

Chairman	CEO
<p>Board Business and Discussion</p> <ul style="list-style-type: none"> • The Chairman: <ul style="list-style-type: none"> – 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. <p>Communication with Shareholders</p> <ul style="list-style-type: none"> • Ensures that there is effective communication with shareholders, and that each director develops and maintains an understanding of stakeholders' views. 	<p>Quality Information for the Board</p> <ul style="list-style-type: none"> • 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 2019, our Executive Directors comprise the Chairman and CEO, Vice-chairman and CFO, who form the Executive Committee. The role and responsibilities of and details of work done by the Executive Committee are set out on pages 124 and 128.

Non-Executive Directors (including INEDs)

Non-Executive Directors (including INEDs) 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 constructively challenge the management, 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 senior management on page 65 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 (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. They thereby 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. They 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, six separate management meetings chaired by the CEO were held during the year to review, discuss and make decisions on financial and operational matters.

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

Board, Board Committees and Annual General Meeting

Meetings in 2018/19											
April	May	June	July	August	September	October	November	December	January	February	March
B A R E RM	E	B A N	RM	E	AGM B A E RM		B A RM		E	B	E RM

AGM = Annual General Meeting B = Board A = Audit Committee R = Remuneration Committee
 N = Nomination Committee E = Executive Committee RM = Risk Management Committee

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	Nomination Committee	Remuneration Committee	Executive Committee	Risk	AGM
						Management Committee	
Executive Directors							
Dr KWOK Siu Ming Simon	5/5	4/4*	1/1*	1/1*	6/6	6/6	1/1
Dr KWOK LAW Kwai Chun Eleanor	5/5	4/4*	1/1	1/1	4/6	4/6	1/1
Dr LOOK Guy	5/5	4/4*			5/6	6/6	1/1
Non-Executive Director							
Ms LEE Yun Chun Marie-Christine	5/5	4/4*					1/1
Independent Non-Executive Directors							
Ms TAM Wai Chu Maria	5/5	4/4	1/1	1/1			1/1
Ms KI Man Fung Leonie	5/5	4/4	1/1	1/1			1/1
Mr TAN Wee Seng	5/5	4/4					1/1
Total number of meetings	5	4	1	1	6	6	1
Average attendance rate of directors [△]	100%	100%	100%	100%	83.3%	88.9%	100%

Notes:

Attendance is expressed as the number of meetings attended out of the number eligible to attend.

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 Chairman, as appropriate.

Work done by the Board in the year ended 31 March 2019:

5 meetings (100% attendance rate)

Financial results

- ✓ Approved the annual results and annual report for the year ended 31 March 2018 including the annual results announcement.
- ✓ Approved the interim report and interim results announcement for the six months ended 30 September 2018.
- ✓ Approved the proposal of payment of final dividends for the year ended 31 March 2018 and the interim dividend for the six months ended 30 September 2018 with scrip dividend alternative.
- ✓ Considered the unaudited quarterly results.

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).
- ✓ Received updates from different business units, updates on investor relations and Environmental, Social and Governance issues.

Corporate governance

- ✓ Approved the re-appointment of Ms KI Man Fung Leonie as INED and re-elections of Dr KWOK Siu Ming Simon, Dr KWOK LAW Kwai Chun Eleanor and Ms KI Man Fung Leonie as directors at the annual general meeting held on 3 September 2018.
- ✓ Received reports from each of the Audit, Nomination and Remuneration Committees following each committee meeting.
- ✓ Approved the amended form of notification and acknowledgement under the Model Code.
- ✓ Approved the revised Board Diversity Policy, Nomination Policy, and Inside Information Policy.
- ✓ Approved and adopted a Dividend Policy.
- ✓ Received directors' trainings on cyber security and sustainability.

Directors' Remuneration Package

- ✓ Approved the grant of share options to all non-executive directors of the Company.

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 investment 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.

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. The notification and acknowledgement process under the Model Code were reviewed and improved during the financial year. We have received confirmation from all directors and relevant employees that they have complied with the policy throughout the period 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.

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

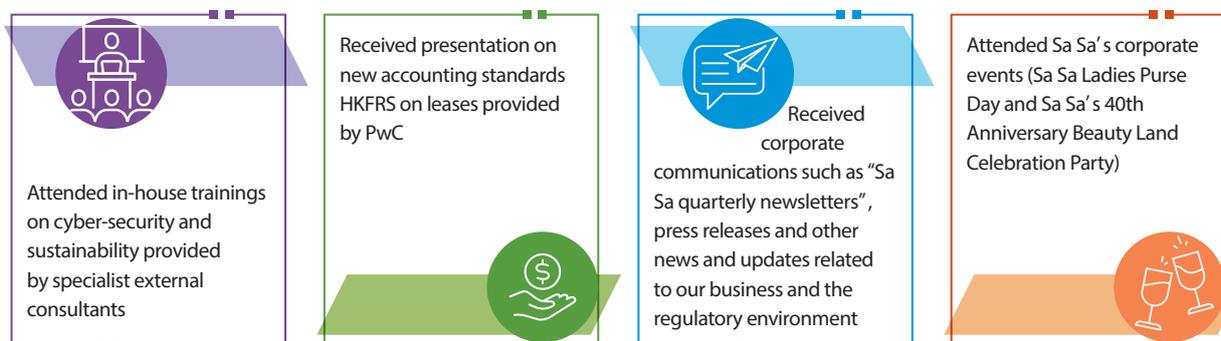
We recognise that professional developments for directors is a major contributor to the maintenance of high corporate governance standards in the Company. We have adopted our own policy on *Induction of and Continuous Professional Development for Directors* since 2005. The Board has, from time to time,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

New Director's Induction



All newly appointed directors are given a comprehensive Induction Handbook to ensure their proper understanding of the Company's operations and business and their awareness of a director's responsibilities and obligations.

Continuous Professional Development



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/ 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 LEE Yun Chun Marie-Christine	✓	✓	✓
Ms TAM Wai Chu Maria	✓	✓	✓
Ms KI Man Fung Leonie	✓	✓	✓
Mr TAN Wee Seng	✓	✓	✓



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 within 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.

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 174 to 177.

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 2019, the fees paid by the Group to PwC amounted to approximately HK\$5,385,000, comprising audit fees of HK\$3,672,000 and non-audit fees of HK\$1,713,000. 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.



Effectiveness

Board Evaluation

Our first board evaluation was conducted in 2016. Recognising that Board's performance and effectiveness is central to corporate governance, a decision was made in the financial year to conduct another more in-depth evaluation in the year 2019/20. A questionnaire was developed for this purpose and the assessed areas included board composition, sufficiency and effectiveness of the board committees, board process, board effectiveness and professional developments. Going forward, the Board is committed to reviewing its own performance and effectiveness at regular intervals of around two years.

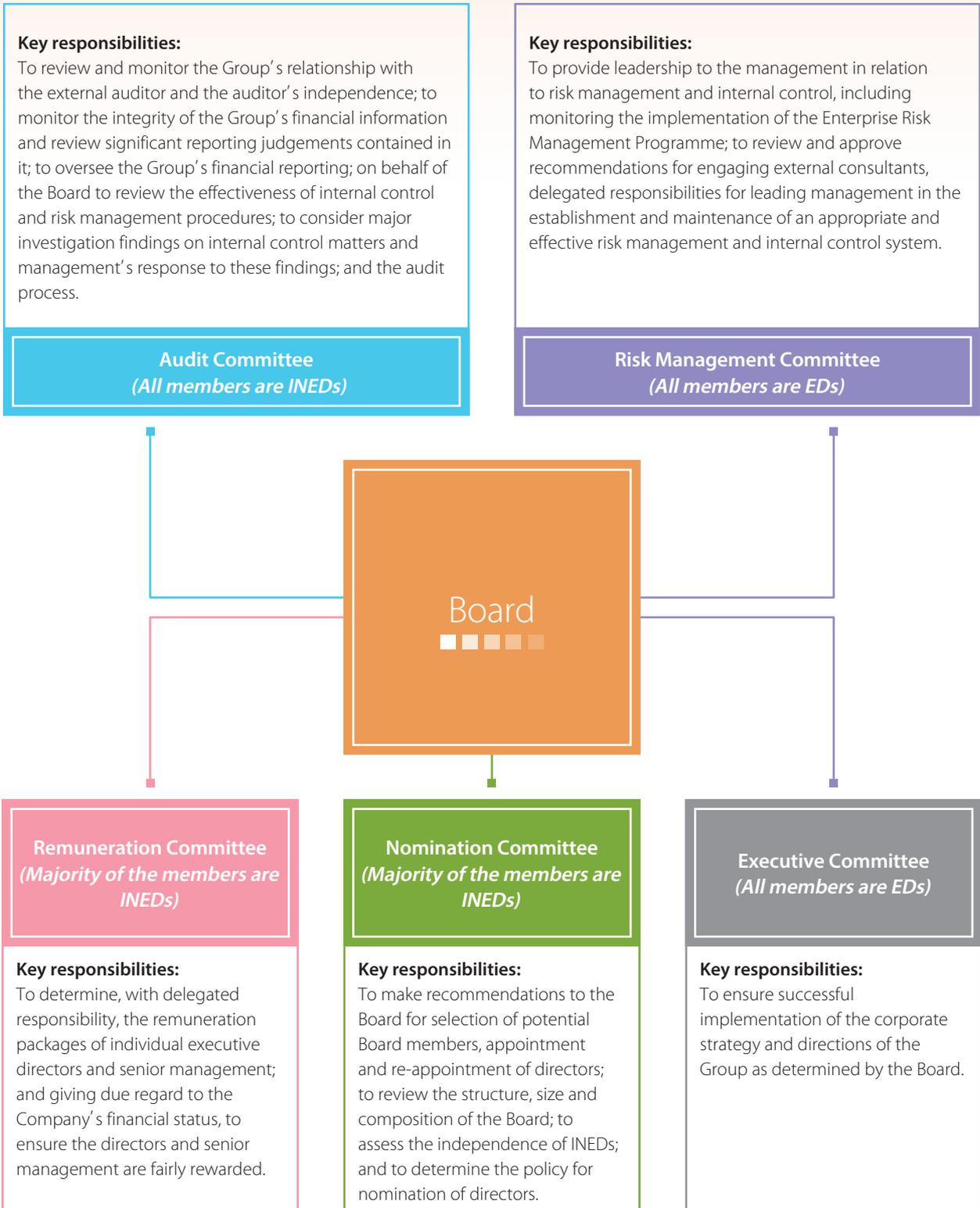
Delegation by the Board

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 to assume responsibilities for and to oversee particular aspects of the Company's affairs. Board Committees report to the Board on their decisions and make recommendations at Board meetings.

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 119. 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



Audit Committee

Work done by the Audit Committee in the year ended 31 March 2019:

4 meetings (100% attendance rate)

Internal and external audit matters

- ✓ Received and considered a presentation on HKFRS16 (Lease) and its impact on the Group.
- ✓ Reviewed the semi-annual summary of audit and non-audit services provided by the external auditor for the year ended 31 March 2018 and the six months ended 30 September 2018.
- ✓ Reviewed and discussed the internal control review projects conducted by the Internal Audit function, including:
 - internal audit progress;
 - significant internal audit findings and follow-up implementation status on prior audit findings;
 - shop/counter 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 the annual results announcement and annual report for the year ended 31 March 2018 and made recommendations to the Board.
- ✓ Reviewed and considered the proposed payment of final dividends for the year ended 31 March 2018 and the interim dividend for the six months ended 30 September 2018 and made recommendations to the Board.
- ✓ Reviewed and discussed the interim results for the six months ended 30 September 2018, including the interim results announcement and interim report, and made recommendations to the Board.

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.

Nomination Committee

Work done by the Nomination Committee in the year ended 31 March 2019:

1 meeting (100% attendance rate)

Board composition

- ✓ Reviewed the structure, size and composition of the Board.
- ✓ Assessed the independence of INEDs.

Re-appointment of Directors

- ✓ Considered the re-appointment of Ms KI Man Fung Leonie 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 2019:

1 meeting (100% attendance rate)

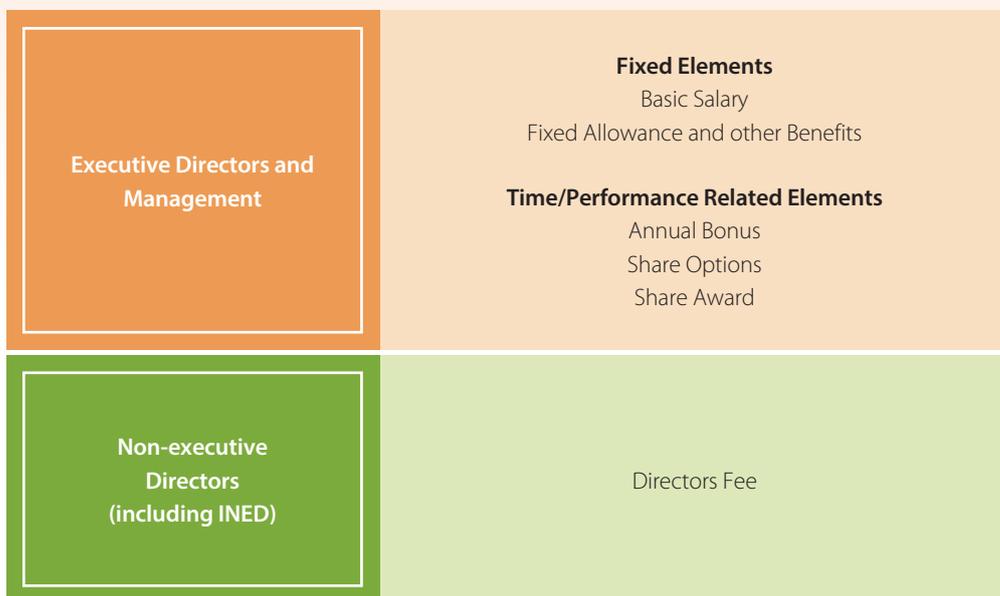
Benchmarking

- ✓ Reviewed market surveys and analysis, and the remuneration structure of comparable companies operating in similar business and on a similar scale.

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.
- ✓ Approved the increase in annual fee of the chairman of Audit Committee from HK\$100,000 to HK\$150,000.
- ✓ Made recommendation to the Board for the grant of share options to all NEDs (including INEDs).

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 director 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 the year ended 31 March 2019, all NEDs were each granted options to subscribe for 100,000 shares in the Company, details of which were contained in an announcement published by the Company on 13 April 2018.

Details of the remuneration package of our directors and senior management are set out in the Note 7 to the consolidated financial statements on pages 205 to 209.

Executive Committee

Work done by the Executive Committee in the year ended 31 March 2019:

6 meetings (83.3% 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 2019:
 - Store openings and closures;
 - Sales performance;
 - Marketing and promotions;
 - Product development;
 - Branding management;
 - Inventory management;
 - IT strategy;
 - Human resources, training needs and staff issues;
 - Performance of the logistics function;
 - E-commerce strategies and performance;
 - Operations outside of Hong Kong.

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 119. 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 2019:

6 meetings (88.9% 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 Program

- ✓ Reviewed and discussed the ERM progress and results for the year ended 31 March 2019 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 119. Please refer to pages 135 to 143 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 2019.

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.

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.

Accountability

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 2019, trainings were provided to the following groups of employees:

- senior management;
- management trainees; and
- 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. During the year, we updated our privacy policy used across the organisation to comply 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. Apart from the 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 for the following groups of colleagues during the year:

- management trainees; and
- new joiners.



An additional compliance manual on “Medicine, Medical Advertisements and Food” was drawn up during the year 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) and the relevant laws and regulations governing each type of product. Workshop on the topic was provided by the legal team to representatives from the following business units in the financial year 2018/19:

- marketing;
- internal audit and management services;
- customer service;
- multimedia content management;
- category management and product development;
- logistics;
- e-commerce; and
- sales and operations.

The legal team also organised a workshop conducted by the Drug Office, Department of Health, on the Undesirable Medical Advertisements Ordinance which was attended by representatives from the following business units:

- legal and company secretarial;
- internal audit and management services;
- category management and product development;
- marketing; and
- training and people development.

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. During the year, the policy was revised to provide more examples and illustrations to facilitate understanding and compliance.

Risk Management and Internal Controls

The Board is accountable for overseeing the Group’s risk management and internal control systems and reviewing its effectiveness on an ongoing basis, while the management and other personnel are responsible for implementing and maintaining a robust system of internal controls that covers governance, compliance, risk management, financial as well as operational controls. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute assurance of the following:

- compliance with applicable laws, regulations, contracts, policies and procedures
- appropriateness and effectiveness of risk management and internal controls systems
- reliability and integrity of financial reporting
- effectiveness and efficiency of operations
- 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 an appropriate and effective risk management and internal control systems.

Risk Management Framework

The Group’s Enterprise Risk Management (ERM) framework provides a systematic and disciplined approach to risk management process, which is embedded in the system of internal controls as 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 key risks within the Group. The ERM framework is aligned with the Committee of the Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Integrated Framework in which line management as risk owners takes direct risk management responsibilities and reports to the Risk Management Committee (RMC).

Details of the ERM System and process are set out in the Enterprise Risk Management Report on pages 135 to 143 of this Annual Report.

Quality Management System

The Group has been refining and formalising retail and e-commerce operational policies, procedures and working instructions which are benchmarked against the International Organization for Standardization (ISO) based Quality Management System (QMS) to standardise workflows and documentation. QMS captures organisational knowledge and enhances operational effectiveness, efficiency and control processes in achieving business goals. QMS also enables scalability in accommodating business growth, mitigating operational risks and driving continual improvement.

For the year ended 31 March 2019, The Group passed the renewal and surveillance audits of the latest ISO 9001: 2015 certificates for the below departments:

Company	Department	ISO version/ Audit nature	Audit scope	Pass audit date
Sa Sa dot Com Limited	Whole unit	ISO 9001:2015 Surveillance audit	Provision of e-commerce services for cosmetic products	May 2018
Sa Sa Cosmetic Company Limited	Logistics	ISO 9001: 2015 Surveillance audit	Provision of logistic services including warehousing, packaging and local distribution of cosmetic products and its accessory materials	January 2019
Sa Sa Cosmetic Company Limited	Category Management & Product Development, Marketing	ISO 9001: 2015 Renewal audit	Category management, products purchasing and promotion for cosmetic, health, personal care products and its accessories	August 2018

The Group is fully committed to quality management and will continue taking steps to attain ISO certification for other major business units in the headquarters and creating policies and procedures for sales offices by applying ISO standard in order to promote the application of the standard throughout the organisation. During the year, the Group has been engaging an external consultant to carry out an information security risk assessment and control review project for our Information Technology Department and we strive to attain ISO 27001 certification level in the next financial year. In addition to annual surveillance audits performed by external consultant, we also conduct regular internal audits by certified in-house ISO internal auditors to ensure that policies and procedures are always adhered to and updated accordingly when business environment changes. There were no significant non-conformities, weaknesses or deficient areas of concern identified by internal and external ISO auditors during the year. In addition to regular compliance checking, our ISO internal auditors are also charged with the responsibility to work with respective departments to identify areas for process improvement so as to enhance operational efficiency.

Internal Audit Function

The Internal Audit and Management Services Department (IAMS Department) is an independent and objective function that reports directly to the Audit Committee on a quarterly basis and the Director of IAMS Department has direct access to the Chairman of the Audit Committee.

The IAMS Department has unfettered access to reviewing all aspects of the Group's activities, risk management, control and corporate governance processes and assists the Board to independently assess the effectiveness of the internal control systems and risk management process and 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.

To accommodate and better support sustained business growth, the IAMS Department continuously enhances its competency by developing expert teams within the department and by encouraging the team leaders to attend relevant external workshops or seminars in order to keep abreast of the latest developments. Regular internal trainings are also held to promote knowledge sharing within the IAMS Department. Below is a summary of external trainings attended by members of the IAMS Department for the year ended 31 March 2019:

Participation in Trainings and Continuous Professional Development of the IAMS Department						
	Business & General Management	Governance, Risk & Control	IT/Information Security	Fraud	Quality Management	Online Self-study
No. of events	3	1	8	1	1	Continuous

Internal Audit Activities

The IAMS Department adopts a risk-management based approach in developing the annual and revised quarterly audit plans that align to the enterprise risk management framework. Audit activities are identified, prioritised and scoped based on risk assessment, which is a dynamic and continuous practice, to cover business activities with material risks across the Group. 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 remedial plans to correct those internal control deficiencies within a reasonable time period. Post-audit reviews are performed quarterly to monitor those agreed action plans and to ensure that corrective measures of 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 process also enhances audit efficiency and effectiveness for continuous monitoring of internal control deficiencies and fraud risks.

Information technology has become more strategically important in achieving our objectives and is an integral part to its daily operations and activities. And we recognise that if technology-related risks are not adequately managed, they might negatively affect the objectives that we are trying to achieve. Therefore, maintaining a stable and secured IT infrastructure and staying in step with new and disruptive technology are critical to the Group's sustainability and growth and therefore the Group has been paying more attention to technological development, its implication and risks to our strategies. IT risk management is being steadily integrated in the Group's risk management structure and external consultant will be engaged whenever necessary to assess risks on specific areas such as cyber-security. More details on the management of these risks are set out in the Enterprise Risk Management Report on pages 135 to 143 of this Annual Report.

Review of Risk Management and Internal Control Effectiveness

Through the Audit Committee, the Board has conducted annual review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 March 2019, covering all material financial, operational and compliance controls, and it has considered the Group's risk management and internal control system to be effective and adequate. There were no suspected material irregularities found or significant areas of concern identified during the year that might affect Shareholders.

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

 **Communication with Shareholders****2019 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 2019 will be held on or around Monday, 2 September 2019. 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 22 July 2019.

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 144 to 159 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 144 to 159 of the "Investor Relations Report" in this Annual Report.

Other shareholder-related information

For details of the 2018 annual general meeting, upcoming important dates and year-end public float capitalisation, please refer to pages 144 to 159 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 2019.