Sa Sa International Holdings Limited

Stock Code: 178

Annual Report

2008/09

ALWAYS

BLOSSOMING

Sa Sa's beauty products make our customers' lives blossom, bringing confidence and charm to their every activity. Like a young tree in full bloom, Sa Sa radiates freshness and the promise of a rich harvest. Whether extending our branches with numerous products and brands or flowering annually in the returns the business brings to our shareholders, Sa Sa continues to grow.

ALWAYS

BLOSSOMING

CONTENTS

CORPORATE PROFILE

Sa Sa International Holdings Limited ("Sa Sa" or "Group/ Company") is a leading cosmetics retailing group in Asia. The Sa Sa Group was listed on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") in 1997 (Stock Code: 178) and its business covers Hong Kong, Macau, Mainland China, Taiwan, Singapore and Malaysia, in which markets it employs over 2,500 staff. Maintaining its position as the dominant cosmetics retailing group in Asia is the Group's mission.

According to the "Retail Asia-Pacific Top 500" ranking of Retail Asia Magazine, KPMG and Euromonitor in 2008, Sa Sa is now the largest cosmetics retail chain in Asia and one of the top five retail groups in Hong Kong. Sa Sa also represents over 100 international beauty brands in Asia, being one of the major sole agents in cosmetics in the region. Sa Sa has grown from a 40 sq. ft. retail space at its foundation in 1978 to become a regional beauty enterprise. Building on innovative cosmetics retailing at best value in one-stop stores filled with leading international brands, its brand strength has become renowned all over Asia. The increasing number of awards the Group has gained both in Hong Kong and internationally reflects this increasing strength.

Two distinct business areas support the integrated "beauty" platform by which Sa Sa has differentiated itself:

Retail – The Group sells over 400 brands, covering 15,000 skin care, fragrance, make-up, hair care and body care products, and health supplements including own-brands and exclusive products. Its extensive regional retail network currently comprises of over 120 "Sasa" Cosmetics stores, as well as a La Colline specialty store, an Elizabeth Arden counter and 23 Suisse Programme counters. Over thirteen million transactions are made in its stores annually. Our e-commerce platform, Sasa.com, offers round-the-clock online shopping services along with comprehensive product and corporate information. It now serves customers from over 80 countries.

Brand Management – In addition to selling its own-brand products, the Group also operates as the sole agent for many international cosmetic brands in Asia. Sa Sa has been appointed by a leading global prestige brand, Elizabeth Arden, as its sole agent in Hong Kong and Macau since October 2002. The Group currently handles over 100 exclusive major beauty brands with services that include brand building, promotion and distribution. This business accounts for over 38 per cent of Sa Sa's total retail turnover.

CORPORATE INFORMATION

Board of Directors

Executive Directors

Dr. KWOK, Siu Ming, Simon, *JP*
(Chairman and chief executive officer)
Dr. KWOK LAW, Kwai Chun, Eleanor
(Vice-chairman)
Mr. LOOK, Guy
(Chief financial officer)

Non-executive Director

Mrs. LEE LOOK, Ngan Kwan, Christina

Independent Non-executive Directors

Professor CHAN, Yuk Shee, *PhD, JP*
Dr. LEUNG, Kwok Fai, Thomas, *PhD, BBS, JP*
Ms. TAM, Wai Chu, Maria, *GBS, JP*
Ms. KI, Man Fung, Leonie, *SBS, JP*

Company Secretary

Ms. HO, Sze Nga, Maggie

Head Office

14th Floor, Block B, MP Industrial Centre
18 Ka Yip Street
Chai Wan, Hong Kong

Registered Office

P.O. Box 309GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

Auditors

PricewaterhouseCoopers
Certified Public Accountant

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P. O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Abacus Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
Citibank, N.A.
Credit Suisse
Hang Seng Bank
Standard Chartered Bank (Hong Kong) Limited
Sumitomo Mitsui Banking Corporation, Hong Kong Branch
UBS AG

Share Information

Stock code : 178 (The Stock Exchange of Hong Kong Limited)
Board lot size : 2,000 shares
Financial year end : 31 March
Share price at 31 March 2009 : HK$2.41
Market capitalisation at 31 March 2009 : HK$3,328.8 million

Investor Relations

E-mail address : ir@sasa.com

Website

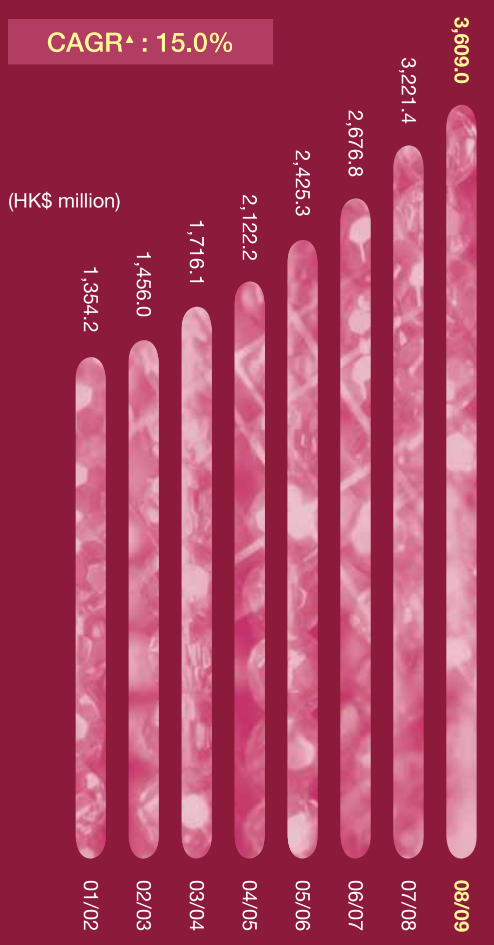
www.sasa.com

FINANCIAL AND OPERATION HIGHLIGHTS

Retail & Wholesale Business	**2008/2009**	2007/2008
Turnover (HK$ million)	**3,609.0**	3,221.4
Operating profit (HK$ million)	**370.1**	322.7
Profit for the year (HK$ million)	**316.0**	276.3
Earnings per share – basic (HK cents)	**22.9**	20.1
Total annual dividend per share (HK cents)	**23.0^**	21.0*
Return on equity	**28.1%**	24.9%
Net cash & bank balances (HK$ million)	**620.5**	651.6
Inventory turnover (days)	**84**	94

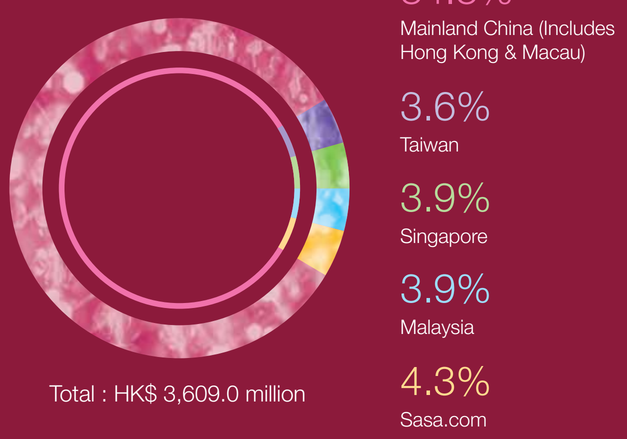
^ Included 15.0 HK cents special dividend
** Included 13.0 HK cents special dividend*

Turnover - Retail & Wholesale Business

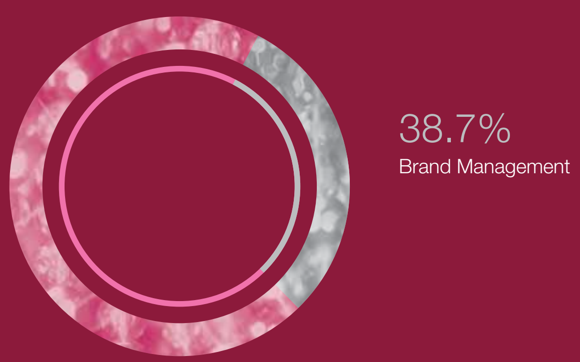


▲ CAGR = Compound annual growth rate

Turnover by Region - Retail & Wholesale Business



Retail Turnover Contributed by Brand Management Business



Group Retail Network in Asia

No. of Retail Outlets

	"Sasa" Stores	Image Stores / Counters
Hong Kong & Macau	62	2
Mainland China	10	23
Taiwan	13	-
Singapore	14	-
Malaysia	26	-
Total	**125**	**25**

City	"Sasa" Stores	Counters
Beijing	6	3
Shanghai	4	4
Chongqing	-	1
Anshan	-	1
Changsha	-	1
Chengdu	-	3
Guiyang	-	1
Hangzhou	-	1
Nanning	-	1
Shenyang	-	2
Wenzhou	-	1
Wuhan	-	3
Wuxi	-	1
Total	**10**	**23**

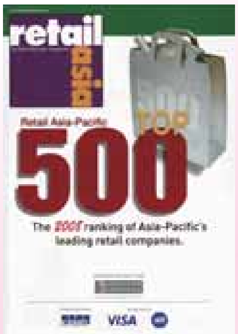
As at 31 March 2009


ALWAYS
GORGEOUS


sasa
cosmetics
Creamy Soft
Miracle
Makeup Base
HD
Perfect Foundation
sasa
cosmetics

AWARDS AND RECOGNITION

RETAIL BRAND RECOGNITION



Sa Sa is the **largest cosmetics retail chain in Asia** and one of the **top five retail groups in Hong Kong**, according to the "Retail Asia-Pacific Top 500" rankings of Retail Asia Magazine, KPMG and Euromonitor in 2008.

香港驕傲 Proud
企業品牌選舉2008 – 09
The Hong Kong Corporate Branding Award

Sa Sa receives the **Marketing Communication Excellence-Judging Panel award** and **Grand Prize of the Personal Care Retail Category-Judging Panel** in "The Hong Kong Corporate Branding Award 2008-09" jointly organised by the Department of Marketing of the Chinese University of Hong Kong and Ming Pao.

Sa Sa is named as one of the **Top Ten Favourite Brands in Hong Kong** for the fourth consecutive year in 2008 by the readers of Guangzhou Daily, one of the most popular dailies in the PRC. Sa Sa also received the **Merchants of Integrity in Hong Kong & Macau Award** in the Cosmetics Category for the fifth successive year in 2008.

HONG KONG Business

Sa Sa is presented with the **Retail Chain Category award** in the High-Flyers Awards of Hong Kong Business magazine for the fifth consecutive year in 2008.

Sa Sa is among the **top 10** brands presented with **The Credible Enterprise of China** accreditation in 2009 by the Reputation Institute, China Enterprise Reputation and Credibility Association (Overseas), Tsinghua University, Asian Centre for Brand Management, Hong Kong Association of China Travel Organisers and a number of media and professional bodies.

Sa Sa is ranked first among all Hong Kong brands in the **Consumers' Most Favorable Hong Kong Brands** in the Most Favourable Brands of the Nation 2008 campaign organised by Hong Kong Association of Chinese Travel Organisers, Hong Kong Polytechnic University and a number of professional bodies.

Sa Sa is accredited the **Hong Kong Q-Mark** by the Hong Kong Q-Mark Council under the auspices of the Federation of Hong Kong Industries for the fourth consecutive year in 2009. The Q-Mark is a sign of quality excellence.

POPULARITY AMONG TOURISTS FROM MAINLAND CHINA

Sa Sa is named as the **Most Popular Cosmetics Specialty Store** in the 2008 Retail Chart of Peony Credit Card by China Unionpay Hong Kong Office, Industrial and Commercial Bank of China Shenzhen Branch and Shenzhen Retail Business Association.

Sa Sa is selected as the **Most Wanted Brand by Mainland Female Visitors** in the **Department Stores and Chain Stores Category** in the "100 Most Wanted Brands 2008" poll jointly organised by travel service website Aoyoutiandi and travel magazine A-La-Carte MAPgazine.

AWARDS AND RECOGNITION

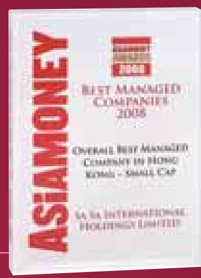
SERVICE EXCELLENCE

A Sa Sa beauty consultant and a store supervisor receive **2008 Service and Courtesy Award – Junior Frontline Level & Supervisory Level in the Beauty Products / Cosmetics Category** organised by the Hong Kong Retail Management Association.

La Colline shop is awarded the **Service Category Leader of the Beauty Products / Cosmetics Category** for the fourth successive year, and was the winner of the highest award – **2008 Service Retailer of the Year** – in the 2008 Mystery Shoppers Programme organised by the Hong Kong Retail Management Association.

All of the five colleagues who represented Sa Sa in the **Distinguished Salesperson** award organised by Hong Kong Management Association receive the award in 2008.

Sa Sa is named **Overall Best Managed Company in Hong Kong – Small Cap** at the Asiamoney Best Managed Companies 2008 awards.



Sa Sa is ranked 5th in **Best Investor Relations** and 8th in **Best Corporate Governance** among all listed companies in Hong Kong in the Asia's Best Companies Poll 2009 conducted by FinanceAsia magazine.

Sa Sa's 2007/08 annual report receives the **Bronze Award in the Annual Report-Retail category** in the Galaxy Awards 2008. Galaxy Awards is an international award to honour corporations with outstanding performances in corporate and marketing communications.

Sa Sa receives the **The Best Brand Enterprise Award-Certificate of Merit** in the "The Best Brand Enterprise Award 2008 (Greater China)" organised by Hong Kong Productivity Council.

Vice-Chairman, Dr. Eleanor Kwok, is awarded the title of **Outstanding Women Entrepreneur** by the Hong Kong Women Professionals & Entrepreneurs Association in 2008.

Sa Sa is awarded the **Caring Company** logo for the third consecutive year in 2008/09 by the Hong Kong Council of Social Service.

MILESTONES

1978

- Eleanor Kwok, a founder of the Group, and her husband, Simon Kwok, begin their cosmetics retail business from a 40-square-foot "Sasa" counter in Hong Kong.

1990

- Opening of the first "Sasa" Cosmetics stand-alone high-street store in Causeway Bay, Hong Kong.

1992

- Opening of the first branch store in Tsim Sha Tsui, Kowloon, Hong Kong.

2002

- Appointed as sole agent for Elizabeth Arden in Hong Kong and Macau.

2004

- Official launch of a new image store featuring a contemporary and upbeat design, which provides a pleasant shopping environment and strengthens Sa Sa's "Cosmetics Retail Specialist" image. The new store format is part of our continuous efforts and commitment to providing an enjoyable shopping experience for customers.

2005

- Opening of the first Mainland store in Shanghai, China.

- Opening of the largest "Sasa" store in Asia (covering 8,000 sq.ft.) in Tsim Sha Tsui, Hong Kong.

1997

- Opening of the first store in Taiwan.
- Total number of shops increases to 11 in Hong Kong.
- Sa Sa listed on the Stock Exchange of Hong Kong in June with an over-subscription rate of more than 500 times.
- Opening of the first store in Singapore.
- Opening of the first store in Macau.

1998

- Opening of the first store in Malaysia.

2000

- Opening of La Colline specialty store offers customers premium beauty products and services, and demonstrates the Group's diverse brand management capabilities.

- Launch of Sasa.com offers customers round-the-clock on-line shopping of beauty products.

2006

- Opening of the first Suisse Programme beauty counter in Mainland China.

2007

- 10th anniversary of Sa Sa's listing in Hong Kong.

2008

- 30th anniversary of Sa Sa International Group.

30th Anniversary 漂亮綻放 | Sasa making life beautiful

- Opening of the Group's 100th store in Asia.
- Disposal of beauty services business to focus on core retail and brand management businesses.
- Opening of first five stores in Beijing, China.

2009

- Opening of first two stores in Wuhan, China.


CYBER COLORS
CYBER COLORS
Chamomilla Water
Chamomilla Extract
Hyaluronic Acid
All-in-1 Moisturizing
Cleansing Water
CYBER COLORS
HD Plus
Gel Foundation
SPF26 PA++
CYBER COLORS
INSTANT BRIGHT
Sparkling Mask


CYBER COLORS
ALWAYS
RAVISHING

CHAIRMAN'S STATEMENT

Dr. Simon Kwok, *JP*
Chairman & CEO

Sa Sa will continue to maintain our strong foothold in the region and to grow at a measured pace in both our overseas markets and in Mainland China.

Despite the fiscal year 2008/09 being exceptionally challenging, I am pleased to report that the year produced good results for the Sa Sa Group. All markets and business units in the Group's continuing retail and wholesale business saw increased turnover. In local currency terms, profitability of all markets also improved. Due to Sa Sa's growing customer base of local residents and Mainland tourists, Hong Kong and Macau recorded a strong performance, and this performance was maintained by careful adjustments to our product portfolio in the second half of the year. In Mainland China, we recorded both turnover growth and same store growth for our multi-brand "Sasa" stores, and there was an improvement in the performance of our expanding store network. Both Malaysia and our online business registered significantly enhanced turnover and profits. Although our performance in Singapore and Taiwan was affected by local circumstances, both markets improved on their profitability and we continued to lay the foundations for future improvement. Once more, progress was made in our brand management business, particularly in the first half of the year.

These are gratifying results for the year as a whole. However, Sa Sa was by no means immune to the dramatic changes in the economic environment in the second half of the year. The intensification from September 2008 onwards of the global financial crisis, which began to have a strong impact on the previously healthy markets of Asia, weakened consumer sentiment and caused slower growth in both our overall sales performance and gross profit margin in the second half of the year. For the full fiscal year 2008/09, turnover from the Group's continuing retail and wholesale business rose 12.0% to HK$3,609.0 million while profit from the continuing operations increased by 14.4% to HK$316.0 million.

In addition to the interim dividend of 3.0 HK cents and a special dividend of 3.0 HK cents per share, the Board of Directors proposed a final dividend of 5.0 HK cents per share and a special dividend of 12.0 HK cents per share, payable on 1 September 2009 to those persons registered as shareholders as of 27 August 2009, making a total dividend of 23.0 HK cents per share for the fiscal year.

A Challenging Year

The year was extremely challenging for all companies and businesses, and the Sa Sa Group was no exception. There were a number of events that led to difficult market circumstances in the first half of the year: weak consumer sentiment caused by the tragic Sichuan earthquake, an exceptionally rainy June, and the stay-at-home effect of the Olympic Games in August. However, these impacts were minor in comparison with the second half of the year. As the impact of the global financial market turmoil spread out across Asia from mid-September onwards, the adverse effect was seen across the board. Although cosmetics retailing is relatively more resilient than other sectors in the economy, market uncertainty and weakening consumer sentiment created challenges for Sa Sa that required a rapid response. I am glad to say that due to our strong adaptability, the Group demonstrated resilience and was able to achieve a satisfactory performance. Leveraging on our solid foundation and leading industry status, we took proactive steps to minimise the impact of the crisis and we continued to seek opportunities to grow despite the circumstances.

CHAIRMAN'S STATEMENT

In terms of cost control, we implemented a general freeze on wages. We also notably increased the cost effectiveness of our marketing activities. In the fiscal year 2009/10, these measures will be joined by new measures such as reviewing and increasing the cost effectiveness of our overhead expenses, tightening inventory management to reduce risk and increase efficiency, intensifying cost controls and taking further measures to manage the rental pressure.

The Path Ahead

The next financial year will continue to be extremely challenging. The problems in the financial systems of the USA and Europe, and the dramatic fall in trade that has affected leading economic powers such as the USA and to some extent China, will take a considerable time to work their way through the arteries of the global economy. The impact of the H1N1 swine flu pandemic will also continue to impact our business in the coming months. The retail markets of Hong Kong and Macau are closely linked to the state of the Chinese economy and the policies of the Central Government, and therefore the continued growth of Mainland China tourists to Hong Kong is by no means a certainty. Although we believe that the Group is well positioned to weather the global financial storm in the medium term, we remain circumspect in our outlook for the Sa Sa Group.

In Hong Kong and Macau, we will continue to adapt our product offerings to meet customers' changing needs and preferences in the current "trade-down" climate. We believe that our comprehensive product range covering a full range of prices as well as further improvements in operational performance and efficiency will give us increased flexibility to meet the market challenges ahead.

Mainland China continues to be of considerable strategic significance to Sa Sa's growth potential. In order to ensure that the performance of the Mainland market is carefully managed, we will continue to expand at a prudent rate and to focus our efforts on the multi-brand "Sasa" store network and consolidation in the single-brand counter network. For the wholesale business, we will take a measured approach to building a solid platform for the launch of our business in Mainland China. We believe that the improvement in our Mainland business will continue despite the relatively adverse environment.

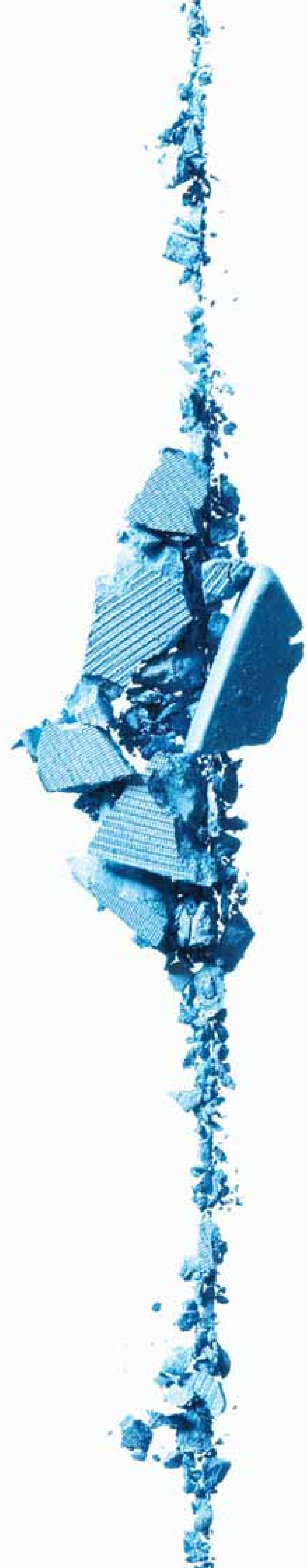
Similarly, in other potential high growth markets in the rest of Asia such as Malaysia, we will take a cautious approach to network expansion. The Group aims to add some 35 outlets in the region to our portfolio, including "Sasa" stores and single-brand counters/stores under exclusive brands. In our brand management business, we intend to develop more new products and to expand our product range under exclusive and own-branded labels. We will also intensify marketing and promotion activities throughout the region to increase public awareness of Sa Sa and to raise the profile of our exclusive brands.

Conclusion

Sa Sa has a proven track record of consistently growing even through the most challenging of times. We have a sound financial platform, highly capable management, zero gearing and a prudent approach to cost controls and expansion. By leveraging the strong competitive advantage and brand name of Sa Sa, we believe we can continue to maintain our strong foothold in the region and to grow at a measured pace in both our overseas markets and in Mainland China. The year to come may well be difficult and the attainment of our targets will be by no means easy. But I have no doubt that due to our potential and to our historically strong growth pattern, the Group will continue to expand and to reward its shareholders in the years to come.

I would like to take this opportunity to thank all our employees for their commitment and dedication in continuing to support Sa Sa's position as one of the most well known and admired brands in Asia. I would also like to extend my gratitude to all our shareholders for their unstinting loyalty even as the economic clouds have gathered. Sa Sa International Group will move towards the future with prudence and strategic vision. As we do so, I am sure that we will overcome all hurdles and reward both our shareholders and employees with increased shareholder value in coming years.

Dr. Simon Kwok, *JP*
Chairman and Chief Executive Officer
Hong Kong, 25 June 2009




ALWAYS
RADIANT
SUISSE
PROGRAMME
CLEANSER
ECLAT
SUISSE
PROGRAMME
GIGAWHITE FRESH
DOUBLE-ACTION
EXFOLIATING MASK
MASQUE EXFOLIANT
DOUBLE-ACTION
SUISSE
PROGRAMME
CELLULAR AQUA NIGHT CREAM


SUISSE
PROGRAMME
CELLULAR
TOTAL COMPLEX
EYE GEL
COMPLEXE CELLULAIRE
CONTOUR DES YEUX
SUISSE
PROGRAMME
SPF15
RADIANCE
LOTION

MANAGEMENT DISCUSSION AND ANALYSIS

Retail & Wholesale Business

For the year ended 31 March 2009, the Group's continuing retail and wholesale business turnover amounted to HK$3,609.0 million, representing an increase of 12.0% over the HK$3,221.4 million recorded last year. Turnover increased in all markets and business units. In terms of local currency, profitability of all markets improved. The Group's profit for the year from the continuing retail and wholesale business was HK$316.0 million, a rise of 14.4% over the HK$276.3 million recorded last fiscal year. Basic earnings per share from the Group's continuing operations were 22.9 HK cents, as compared to 20.1 HK cents in the previous fiscal year.

The overall gross profit margin of our retail and wholesale business for the full fiscal year increased to 43.7% from 43.1% last year. However, slower growth in both sales and gross profit margin of retail business was recorded in the second half of the year due to weaker consumer spending. This weakening reflected the escalation of the global financial turmoil and its impact on Asia from September 2008 onwards. Our inventory turnover days were 84 days as at 31 March 2009, as compared to 94 days in the previous fiscal year.

Hong Kong and Macau

Sa Sa continued to maintain its market leading position in Hong Kong and Macau. Turnover increased by 9.2% and same store growth by 4.5%. Such a buoyant performance was driven by a 10.8% increase in the number of transactions, which in turn reflected our growing customer base of both local residents and Mainland tourists. The first half of the year saw 12.5% turnover growth despite the earthquake in Sichuan Province, the heavy rains in June in Hong Kong, and the impact of the Olympic Games. However, as the effects of the worldwide financial turmoil began to be felt in Asia from mid-September onwards, we made careful adjustments to our product portfolio, focusing more strongly on mid-end and value-for-money products and implementing other measures to align the Group's business with the inevitable changes in customer sentiment. These proactive and decisive efforts contributed to continuing sales growth in the second half of the year.

The positioning of Sa Sa as a one-stop-shop cosmetics specialty store offering a broad product range with a full price spectrum continued to give us competitive advantage throughout the year, attracting customers seeking value-for-money alternatives during difficult economic times. This positioning, together with our proactive product adjustment, helped us to gain customers from our competitors and to increase traffic to our stores, particularly in the second half of the year. Our tactical positioning was reflected in the increased number of transactions made by local residents. We continue to believe that a broader customer base will help to fuel future growth when the economy recovers.

The gross profit margin of our retail and wholesale business in Hong Kong and Macau rose overall to 43.5% from the 43.1% recorded last fiscal year. However, the gross profit margin of our retail business in the second half decreased slightly due to the global financial turmoil, poor consumer sentiment and the subsequent “trading-down” behaviour of our customers, who looked to well-established brands with a lower gross profit margin. In the second half of the year, this trend affected the sales of our premium brands and the upcoming niche brands in our exclusive portfolio.

In terms of the network, we followed a prudent strategy towards lease renewal, including store relocation, in order to manage rental pressure and improve our store network contribution.

During the year, a retail branding campaign to celebrate Sa Sa’s 30th anniversary was launched, which included a new TV commercial. This commercial focused on Sa Sa’s image as a refreshing, young company that is passionate about beauty. In addition, we made regular efforts to reinforce our retail branding through various sponsorship activities. These included the Miss Hong Kong Pageant 2008 and Ladies’ Purse Day, one of the most popular and high profile horse-racing days in Hong Kong.

Four new stores were added during the fiscal year. As at 31 March 2009, there were 62 “Sasa” stores (including six in Macau), one La Colline specialty store and one Elizabeth Arden counter.

Mainland China

In fiscal year 2008/09, the Group’s multi-brand “Sasa” stores recorded both turnover growth and same store growth. We made enhancements in our product offering by adding more brands and products, including exclusive niche brands. In addition, we opened six “Sasa” stores in Beijing and secured two new stores in Wuhan. Overall, the performance of the “Sasa” store network significantly improved.

In regard to single-brand counters, we added 11 counters under the Group’s exclusive brand, Suisse Programme, and extended the coverage of such counters to 13 cities. The losses of our Mainland operations were contained at HK$27.3 million. The Group managed to narrow down the losses of our Mainland operations slightly in terms of local currency, and further expanded the retail network during the year. This performance was achieved despite consumer sentiment in the Mainland being moderately affected by the global financial crisis in the second half of the year. As at 31 March 2009, there were 10 “Sasa” stores and 23 beauty counters under Suisse Programme in the Mainland market.

MANAGEMENT DISCUSSION AND ANALYSIS

The appointment of local distributors for the wholesale business is now in the preparation stage. These preparations include the development of systems and controls, as well as the scaling up of product development and production.

Singapore and Malaysia

Our core business strategy for the Singapore and Malaysia market continued to focus on gaining market share through increased sales and on enhancing our network to provide improved services to Sa Sa's customers and beauty brands.

During the year, turnover for the Singapore market grew by 4.3% to HK$140.4 million while same store sales growth declined by 1.6%. A small profit was recorded. The adjustment in our product portfolio, as required to comply with the new ASEAN Directives for cosmetics introduced in 2008, was completed in the third quarter. Although our performance in Singapore in the second half was impacted by the severe repercussions of the global financial crisis on the island state's export-led economy, we still recorded modest growth in turnover. We opened one new store during the year, bringing the total number of stores to 14 as at 31 March 2009.

Malaysia achieved a good performance, with turnover rising 36.0% to HK$141.9 million and same store growth increasing 13.5%. Profitability as well as Malaysia's contribution to the Group continued to improve, even though the strong growth momentum was dampened in the second half due to the global economic circumstances. Strong market acceptance and increasing popularity stimulated by effective marketing promotions continued to contribute to the robust same store sales growth of 13.5%. Five new stores were added, bringing the total number of stores for Malaysia to 26 as at 31 March 2009.

Taiwan

Turnover of the Group's Taiwan business increased slightly by 0.5% during the fiscal year to HK$131.7 million. Performance improved and losses were further narrowed. Same store growth was -2.6% for the full year, with same store growth rising to 3.6% in the second half from -8.8% in the first half. We launched strong promotional initiatives riding on the Government's issuance of cash vouchers to stimulate consumer confidence in the second half of the year. The Company also strengthened staff training in order to improve staff productivity and launched several marketing campaigns, which resulted in higher acceptance of our retail brand from both customers and suppliers.

The Group closed one store during the year. The total store number for Taiwan was 13 as at 31 March 2009.

E-commerce - Sasa.com

Turnover for Sasa.com amounted to HK$153.7 million, an increase of 66.0% over the previous fiscal year. Profitability was much enhanced. Although the strong sales growth in the second half was significantly slowed due to the worldwide slump and depreciation of certain foreign currencies, Sasa.com managed to focus on areas where there are more opportunities and therefore was able to enhance its profitability. In addition, the upgrading of the e-commerce platform helped facilitate more efficient browsing and ordering, as well as increasing sales capacity. Overall, the online shopping experience of Sasa.com was greatly enhanced, thereby encouraging repeat visits to the website as well as repeat purchases.

MANAGEMENT DISCUSSION AND ANALYSIS

Brand Management

Sa Sa's brand management focuses on the management of own-brands and international brands for which Sa Sa acts as sole agent/distributor in terms of brand building, marketing, sales and distribution.

During the year, the Group's sales of own-label and exclusively distributed products increased by 9.9%, contributing 38.7% of the Group's total retail sales. The weakening of consumer confidence in the second half led to consumers demonstrating "trade-down" behaviour, which in turn encouraged them to favour well-established brands with lower margins. This behaviour impacted the sales of those premium brands and upcoming niche brands in our exclusive product portfolio in the second half of the year. Nevertheless, more than 1,600 new products were added to our exclusive product portfolio.

Marketing efforts, including print advertisements and public relations activities, were strengthened for selected exclusive trendy and upcoming brands in order to increase their penetration in target customer sectors. Promotions of our key exclusive brands were also stepped up. A new image person, Barbie Hsu, was appointed for our exclusive brand Suisse Programme, and a regional media launch for the brand was held in Hong Kong. Product development of Sa Sa's own-brands was a high priority. We introduced many new products and expanded our product range with fresh product lines and popular trendy products to help boost sales.

Following the appointment of a new senior executive to head the management of Sa Sa's own-brands towards the end of fiscal year 2007/08, the branding team was restructured and more experienced personnel were recruited to enhance brand building and the product development of own-brands.

Outlook

The year ahead will be very challenging. It is likely that uncertainties will continue as a result of the global financial turmoil, with problems in the financial systems of the USA and Europe taking some time to resolve, and the spread of H1N1 swine flu. In light of this uncertainty, Sa Sa will focus on preserving and enhancing sales and profits while seeking opportunities for further growth during the difficult times ahead.

We will also take proactive steps to minimise the impact of the various crises on our business, and in particular we will further intensify the cost controls we implemented in the second half of fiscal year 2008/09. Although pressure on our gross profit margin will persist and is expected to last into the coming fiscal year, the Group is adopting proactive measures to maintain and enhance our gross profit margin.

Leveraging on the Group's solid foundation and leading industry status, Sa Sa will continue to adapt to the changing market environment and to the weak consumer sentiment. The additional measures we are taking to reduce risk include identifying the appropriate operational issues to address, improving on structural weaknesses, adjusting the pace of our expansion, and consolidating in those areas that we consider appropriate. We believe that with these measures the Group is well prepared to weather the global financial storm.

Due to the stabilisation and stimulus initiatives taken by various governments to address the global financial crisis, there is a sense that consumers have already regained some measure of confidence. This was reflected in the Group's performance in April of the new fiscal year 2009/10. However, the global H1N1 swine flu outbreak clearly affected our sales in May and is likely to continue to do so.

Market Background

There are several factors that will drive Sa Sa's business in the future. The underlying strength of Mainland China and Hong Kong in the current global downturn suggests that they will be at the forefront of any eventual rebound. Since skin care and cosmetics are already a daily necessity for many consumers in all our markets, this "must-have" element will also add to the relative strength and resilience of our business.

Due to the competitive edge in the local beauty market, we believe that PRC tourists will continue to make extensive purchases of cosmetics in Hong Kong and Macau. We are also confident that Sa Sa's offering of a comprehensive product range covering a full price spectrum gives us more flexibility to adapt to changing consumer preferences and needs in the future.

However, our approach veers on the side of caution. The global financial turmoil will continue to throw a shadow over consumer confidence and spending. Growing unemployment in the region continues to impact business and consumer confidence. As the Central Government's policies, particularly in relation to Mainland tourism, have a direct impact on the Hong Kong and Macau retail market, we remain circumspect. There is no doubt that the onset of H1N1 swine flu has affected and will continue to affect regional tourism and retail markets, especially the inflow of Mainland tourists to Hong Kong and Macau. The newly declared "pandemic" has already reduced Sa Sa's store traffic from tourists, but we remain hopeful that the outbreak will subside in the near future and that the pandemic will not have a long-term "drag" effect on the Group's business.

Proactive Strategy

Proactive and focused thinking is the key to Sa Sa's future expansion. The Group will continue to adapt its product offerings to suit customers' changing preferences. We will maintain tight cost controls, including improving the cost effectiveness of various overhead expenses, and we will tighten inventory management in order to reduce risk in relation to inventory as well as to increase stock productivity. Rental pressures will be managed by improving the overall retail network efficiency and contribution.

MANAGEMENT DISCUSSION AND ANALYSIS

Brand Management

A good understanding of customers' preferences through close and frequent customer interaction is the hallmark of Sa Sa, as well as an in-depth knowledge of market trends. Both these factors give the Group an unparalleled position in anticipating customer needs. They also provide us with considerable strength in terms of both product development and the building of our own exclusive product portfolio.

Looking ahead, we will develop more new products and expand our product range and categories under our exclusive and own-branded portfolio. We will boost public awareness of Sa Sa and the image of our exclusive brands by increasing the depth and breath of their marketing and promotion throughout the region. We will also increase distribution channels for Sa Sa's exclusive brands to sharpen their market penetration.

Geographical Expansion

We are still taking a cautious approach to network expansion in those regional markets that have high, but as yet unexplored growth potential such as the Mainland and Malaysia. We are also maintaining steady growth in our core markets of Hong Kong and Macau. Sa Sa aims to add at least 35 points of sales in the region to our portfolio, including the "Sasa" stores and single-brand counters/stores under exclusive brands.

Mainland China

In Mainland China, two "Sasa" stores were opened in Wuhan in April 2009. We aim to add 14 "Sasa" stores to our Mainland China portfolio in the fiscal year 2009/10. New stores will be opened in areas around the cities of Beijing, Shanghai and Wuhan, where we already have a small cluster of stores.

To strengthen the performance of the counter network under exclusive brands, we will focus on the consolidation of the existing operation and network before we embark on another stage of expansion.

Finally, we will continue with our preparations for the wholesale business through local Mainland distributors. These initiatives include the enhancement of product development and production as well as building up other relevant support systems and controls. The Group will take a prudent approach to ensure a measured but solid start for the business in Mainland China, paving the way for smooth expansion in the future. We are confident that the improvement in our performance in Mainland China will continue, despite all the financial cross winds of recent times and the understandable changes in consumer sentiment.

Conclusion

Sa Sa has proven its ability to achieve consistent growth amidst the most challenging circumstances. Our strength and resilience reflect the Group's high management adaptability, prudent financial management, zero gearing and sound financial platform. Building on our broad customer base and solid business foundation, we will continue to devote all our strength to driving growth now and in the future.


Méthode SWISS
BEAUTY CARE
Méthode SWISS
BEAUTY CARE
PURIFYING CREAM ULTRA MOISTURE
ABSOLUE
PORE MINIMIZER
ABSOLUE ATTENUATEUR
DE PORES


ALWAYS
CHARMING
Méthode SWISS
BEAUTY CARE
ANTI-BLEMISH DETOX
SKIN TREATMENT
SOIN DE LA PEAU
DÉTOX ANTI-MARQUES
SWISS
BEAUTY CARE
PORE MINIMIZING
SKIN TREATMENT
SOINS MINIMISANT
LES PORES DE LA PEAU

CORPORATE SOCIAL RESPONSIBILITY

As one of Asia's leading companies with a well-recognised brand name and profile, Sa Sa is committed to the sustainable development of the communities in which we operate and to the integration of environmental, ethical and social principles into all our business decisions. We believe that a reputation for integrity and social awareness is one of the most important assets a company can possess. To this end, we have undertaken many social and environmental initiatives over the 30 years of our history, enhancing the well-being and sustainable development both of our Company and of the broader community in which our customers live and work.

Caring for the Community

During the year, Sa Sa continued to offer donations and sponsorships to local institutions to support education in Hong Kong, such as The University of Hong Kong, The Chinese University of Hong Kong and Lingnan University.

Sa Sa has long participated in the activities of The Community Chest and Po Leung Kuk in Hong Kong. During the year, we continued to make donations to support these organisations' various charity and community projects including the Po Leung Kuk Kwok Law Kwai Chun Home for the Elderly, fund-raising TV shows, and a charity hat sale, which was one of the Ladies' Purse Day events.

Other beneficiaries in cash or in kind included Caritas, the Hong Kong Federation of Women, The Hong Kong Girl Guides Association, Lifeline Express, Orbis, Heifer International, and The Hong Kong Federation of Youth Groups. Donation boxes were also placed in Sa Sa shops to raise funds from our customers for charitable organisations such as the Hong Kong AIDS Foundation.

Encouraging Staff Participation in Charity and Community Activities

Sa Sa encourages everyone in the Company to make a positive contribution towards the betterment of society and the development of our industry, affirming our responsibility as a good corporate citizen.

Our senior management continued to lead the way in community participation by "walking the talk". Chairman & CEO Dr. Simon Kwok was appointed Co-chairman of the 2008/2009 Community for the Chest Organising Committee, and Chairman of the 2008/09 Community for the Chest TV Show Organising Committee. Our Vice-Chairman, Dr. Eleanor Kwok, was appointed as a Director of the Board 2008-09 of Po Leung Kuk.

During the year, various Sa Sa executives spoke at seminars and forums to share their experiences with industry practitioners. Among all, Dr. Simon Kwok shared his experiences with young entrepreneurs at the Entrepreneurs Organisation, and the CFO and Executive Director, Mr. Guy Look, spoke at a forum co-organised by Hong Kong Retail Management Association and Tourism Commission.

In order to celebrate the Group's 30th anniversary, Sa Sa launched a two-year programme, "Making Life Beautiful" Beauty Ambassador Training Programme, in 2008. Sa Sa trainers conduct a series of make-up, skin care and hair styling courses for senior volunteers of Po Leung Kuk. Since the commencement of the programme, over 140 senior volunteers have been trained, helping with makeovers for senior citizens in their communities.

Other volunteer work included participation in the "Heart to Heart Project" of The Hong Kong Federation of Youth Groups, in which Sa Sa volunteers visited elderly homes and shared daily skin care tips with the elderly.

CORPORATE SOCIAL RESPONSIBILITY

Sa Sa also encouraged its staff and their families to participate in various charitable and fund-raising programmes, including the Po Leung Kuk Charity Walk 2009, “Dress Special Day” and the Hong Kong and Kowloon Walk for Millions by The Community Chest, the “Race to Feed 2008” fund-raising event for the Heifer Sichuan Rehabilitation Project, and the Celebrity Challenge of The Hong Kong Girl Guides Association.

In a year of intense economic challenges, Sa Sa made special efforts to help stimulate the local economy and spread positive messages for handling adverse circumstances. Sa Sa participated in the “Cheer Up Hong Kong Campaign” initiated by Standard Chartered Bank, the “Joint Coailition Against the Financial Tsunami”, and the “Hong Kong Kwalala” programme by Commercial Radio.

Supporting Sports and Social Development in China

Sa Sa's support for society extends beyond the confines of Hong Kong to the motherland as a whole. During the year, Sa Sa made a cash donation to the 2008 Beijing Olympic Equestrian Events Hong Kong Fund to support activities relating to the 2008 Olympic and Paralympic Equestrian Events. Sa Sa also made a donation to The Chinese Athletes Educational Foundation.

To show our firm support for anti-AIDS activities in China, Sa Sa continued to raise funds by acting as a key sponsor of China AIDS Initiative's ("CAI") annual fund-raising event, the CAI Gala Dinner, organised by CAI and the Hong Kong AIDS Foundation.

In response to the tragic earthquake in Sichuan province in 2008, the Company made strenuous efforts to contribute funds for the victims. The total amount raised by Sa Sa colleagues, Dr. Simon Kwok, Dr. Eleanor Kwok and the Group was over HK$2.5 million. Activities included a charity sale of "Sasa" products, donations from Sa Sa colleagues in the region, corporate donations to World Vision, The Salvation Army, Hong Kong Red Cross, the HKSAR Government, UNICEF and Oxfam, as well as placing donation boxes in all Hong Kong and Macau shops. Immediately after the earthquake, Dr. Simon Kwok and Dr. Eleanor Kwok contacted Sa Sa staff in Sichuan to find out whether they and their families were affected by the disaster and an emergency relief allowance was granted to those so affected.

Working for a Better Environment

Sa Sa is committed to environmental responsibility in all its business activities. In addition to making contributions to the World Wide Fund For Nature in Hong Kong as a corporate member, during the year we continued to implement a series of "green" initiatives to reduce energy and paper consumption, and to encourage recycling.

We made strong efforts to encourage customers to use less plastic bags. Our participation of No Plastic Bag Day since December 2006 in all Hong Kong shops changed to a weekly basis in December 2007 instead of a monthly basis, and in March 2009 we participated in the Everyday No Plastic Bag Campaign, with proceeds donated to Oxfam Hong Kong and Greeners Action to support environmental protection activities. As a result, plastic bag consumption was reduced by over 30% in March 2009 on a year-on-year basis.

Other energy-saving initiatives included the automatic switching off of the lighting and air conditioning in our main offices at non-peak times, the recycling of waste paper, toner cartridges and ink-jet bottles, and the centralising and recycling of carton box and packaging materials in our warehouse and logistics centres. We reduced water consumption as compared to the previous fiscal year. We will continue with our computer recycling programme by donating all used PCs, notebooks and monitors to a charitable organisation, The Salvation Army.

Recognition

Our efforts in contributing to the social development and environmental concern were recognised by the listing of Sa Sa as a "Caring Company" for the third consecutive year by The Hong Kong Council of Social Service.

PEOPLE DEVELOPMENT

Human capital is the most valuable asset of Sa Sa. Sa Sa's success reflects our firm belief in the development of our people. We are committed to the development of each member of the Sa Sa team and we believe that this ongoing evolution of every member of our Sa Sa "family" is the indispensable means to meet the challenges of the future in an ever-changing business environment. At Sa Sa, we are proud of the way that we help people to realise their full potential. We will therefore continue to strengthen our position as an "Employer of Choice".

As at 31 March 2009, the Group had a total of 2,587 employees. Staff costs for the year under review were HK$492.9 million. To ensure the Group is able to attract high calibre talents and to retain employees with a good performance record, we have placed our focus on building an engaged workforce and on creating a caring and supportive workforce environment.

An Engaged Workforce

Sa Sa does not just make efforts to motivate staff, but also help them understand the Group's business goals and the ways in which they can contribute to achieving those goals. Information related to the Group's business direction and strategies is conveyed to our employees via various channels, including staff newsletters, all-staff email communications and training programmes. As an open and caring company, we rank consistent and transparent communications very high on our list of core values.

During the year, we implemented various people practices to inspire high performance and enhance workforce engagement. The performance management system was enriched to support alignment and continuous improvement of individual and organisational performance as well as the future growth and development of the Sa Sa Group.

We know that differential rewards are key to recognising talented people. We review our remuneration packages on a regular basis and performance bonus and share options are offered to qualified employees. We encourage excellence by providing the best possible career opportunities, rewards and recognition.

To maintain our competitiveness and ensure that future people requirements will be met, we have continued our Management Trainee Programme. This 18-month programme is designed to develop our up-and-coming leaders through structured job rotations and project assignments. Our Management Trainees receive accelerated training and development, as well as frequent opportunities to meet with senior management, thereby encouraging our talented people to progress quickly and to fulfil their potential.

A Supportive and Caring Working Environment

We care about the way people are treated at work. We create a work environment in which differences are respected and in which people are valued as individuals. Meanwhile, appropriate guidelines and advisory support are provided to line managers for the application of grievance and disciplinary procedures.

We are committed to the protection of the health and safety of our employees. In order to maintain a safe and healthy working environment so as to minimise the occurrence of injuries and occupational illness, we established a Health and Safety Committee in the fiscal year 2008/09. The Committee will seek for continuous improvement in building a positive health and safety culture, which at the same time secures the commitment and participation of all employees.

We also recognise the importance of the work-life balance to our employees. We arranged a series of recreation programmes and seminars during the year to encourage good health practices. We launched a number of people programmes including the Annual Dinner, the Christmas Party, boat cruises, barbecues and gatherings to provide opportunities for all members of our "family" to interact outside the office. We believe that our dedication to workforce engagement not only helps to strengthen mutual trust, commitment and productivity, but also builds a more resilient company to meet challenges.

Training and Development

Excellence of training and career development lies at the heart of the high quality of products and services that Sa Sa offers. During the year, the Group provided a total of average 5.4 man-days of training per staff. To support new product launches, we established a series of tailor-made product knowledge training sessions for frontline staff. In addition, the Company commissioned a professional service management consultancy to provide training programmes, including a Neuro-Linguistic Programming (NLP) workshop, in order to upgrade the service and selling skills of our staff.

During the year, we continued with our 150-hour Junior Beautician Trainee training programme for new staff, and provided more field coaching for our employees in order to assist the transfer of knowledge and skills. As part of the "Joy@Sa Sa" campaign, the Company arranged attitude training for frontline and office staff to motivate them to be more positive and proactive, to maintain work-life balance and to cultivate a culture of mutual respect and appreciation. Other initiatives included breakfast meetings, which aim to strengthen teamwork within the shop environment, to enhance communication between management and shops, and to nourish the caring culture of the Company through senior management participation.

In terms of staff development, we launched Leadership Management Skills training for newly promoted shop supervisors and frontline staff with potential, and organised "Mentors' Club" activities for senior staff to broaden their horizons and keep up with industry developments. In order to reinforce the professional image of Sa Sa's beauty consultants and to enhance the Group's overall customer service standards, workshops were held for frontline staff to strengthen their selling skills.

During the year, Sa Sa continued to utilise various training tools, including the launch of the "Sa Sa Training Channel" knowledge database, to deliver the latest product knowledge, make-up skills, selling and service skills in a lively and novel way. These tools enable our frontline staff to refresh their skills and knowledge within the shop environment.

Industry Recognition

Sa Sa continued to participate in various industry competitions with the aim of enhancing overall service quality and of developing staff to market-leader standards. Sa Sa won the Grand Awards at both Supervisory Level and Junior Frontline Level in the Beauty Products/Cosmetics Category in the Hong Kong Retail Management Association's Service & Courtesy Awards 2008. La Colline Shop won the overall grand award, "Service Retailer of the Year 2008", as well as the "Service Category Leader" award of the Beauty Products/Cosmetics Category for the fourth consecutive year, in the Hong Kong Retail Management Association's Mystery Shoppers Programme 2008. In addition, all five Sa Sa enrollees in the Hong Kong Management Association's Distinguished Salesperson Award 2008 received the award.

FREQUENTLY-ASKED QUESTIONS

1 What are Sa Sa's main strengths?

We have built a great brand that everyone knows, and we have an unmatched range of products for our huge, loyal and region-wide customer base. Our relationship with our vendors is excellent, our sales professionals give quality service, and we have a long-established network of more than 150 retail outlets in prime Asian locations, along with an on-line portal offering global on-line shopping service.

In addition, we have extensive industry experience and a clear business focus on beauty, supported by well thought-out corporate strategies, a robust balance sheet and a strong management team.

2 How does Sa Sa manage to sell quality products at such competitive prices?

Sa Sa applies its global sourcing and purchasing capabilities to obtaining the best value products, buying in bulk to increase its bargaining power. A further factor is our excellent long-term relationships with vendors. While we pride ourselves on our ability to offer generous discounts, we also take exceptional care to ensure that everything we sell is genuine and in tip-top condition.

3 How can Sa Sa achieve such a high standard of customer service?

- **A Strong Training Team**

Our training team is specialised in different training programes. These include product knowledge (with different trainers specialised in skin care, fragrance, make-up products and beauty treatments); skin analysis; make-up training; Mandarin speaking; selling skills; supervisory skills; customer service skills; and general management skills.

- **Intensive Training**

A new beauty consultant receives more than 150 training hours before she becomes a qualified beauty consultant ("BC"). We also provide continuous training to existing BCs to update their skills and knowledge in all the above categories. Good training is vital for cosmetics retail because it improves sales and service, the corporate image, the professionalism of our staff, and the sense of belonging of our employees.

- **Knowledge of the Market and Customers**

The cosmetics retail industry changes very rapidly, always catching up with new trends and the evolving needs of customers. Therefore, our staff must be updated frequently. In addition, our sales staff act as personal consultants to customers for their

beauty needs. They require an in-depth knowledge of both products and customer requirements in order to provide tailor-made beauty advice.

- **Building Loyalty**

We aim at providing a service to customers, not only at selling products. Our mission is to convert more and more buyers of our products and services into loyal customers. We therefore monitor our services very closely and strengthen our service-oriented culture through various internal programmes and through participation in external monitoring schemes such as mystery shoppers programmes.

- **Gaining Recognition**

"Sasa" stores and La Colline specialty store have repeatedly received accolades for their quality services and have been awarded the Quality Tourism Services certificate by the Hong Kong Tourism Board. This scheme honours tourism service providers that have achieved excellent quality in the areas of environment, products, processes, people and systems.

4 What is so special about Sa Sa's operation in Mainland China?

- **One-stop Cosmetics Specialty Store**

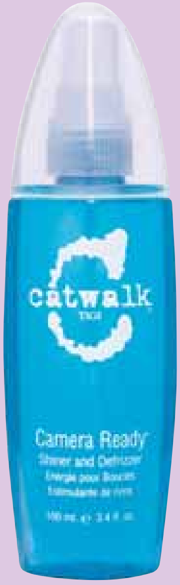
Sa Sa's one-stop specialty store format in Mainland China offers more than 200 professional and quality brands, with focus on international and imported products, covering a broad price range targeted at a diversified customer base. The stores provide an alternative distribution channel for beauty products to the department stores.

- **Product Selections Tailored to Chinese**

- Sa Sa has more than 31 years of experience in cosmetics retail in Asia and today 95% of its customers are Chinese, of which over 40% are from the Mainland China.
- Sa Sa utilises its understanding of the skin care and beauty needs of Asians, in particular, Chinese, in the product selection for its stores in Mainland China.

- **Focus on Professional and Quality International Brands**

- Sa Sa selects professional skin care and beauty products that are suitable to Asians, in particular Chinese, from around the world.



- **Value-added Services Offered at Sa Sa**

- Professionally trained beauty consultants provide personalised advice to customers and introduce relevant quality products across different brands
- A wide variety of promotions
- Quality assurance for products
- Free make-up service and professional beauty treatments with dedicated treatment rooms in store
- Free skin analysis
- Free samples

- **A Brand New Shopping Experience**

- Trendy and comfortable shopping environment and open shelves allow Mainland consumers to try and choose products of different brands at ease, offering them a brand new shopping experience.

FINANCIAL REVIEW

Capital Resources and Liquidity

As at 31 March 2009, the Group's total equity funds were HK$1,122.8 million including reserves of HK$984.6 million. The Group continued to maintain a strong financial position with cash and bank balances of HK$620.5 million. The Group's working capital was HK$918.2 million. Based on the Group's steady cash inflow from operations and coupled with its existing cash and bank facilities, the Group has adequate financial resources to fund its future expansion.

During the year, the majority of the Group's cash and bank balances was in Hong Kong or U.S. dollars and deposited in leading banks with maturity dates falling within one year. This is in line with the Group's policy to maintain liquidity of its funds and continue to contribute a stable yield to the Group.

Financial Position

Total funds employed (representing total equity) as at 31 March 2009 were HK$1,122.8 million, which represented a 1.3% increase over the total funds employed of HK$1,108.5 million as at 31 March 2008.

The gearing ratio, defined as the ratio of total loans less cash and bank balances to total assets, was nil as at 31 March 2009 and 31 March 2008.

Treasury Policies

It is the Group's treasury management policy not to engage in any highly leveraged or speculative derivative products. In this respect, the Group continued to adopt a conservative approach to financial risk management with no significant borrowing during the year. Most of the assets, receipts and payments of the Group are denominated either in Hong Kong or U.S. dollars. Due to the volatility of the foreign exchange market and the potential downside exposure arising from the forward foreign exchange contracts, the Group minimised its non U.S. dollar foreign exchange exposure by way of buying against order at spot and maintaining no long position. These hedging policies are regularly reviewed by the Group.

Charge on Group Asset

As at 31 March 2009, no Group asset was under charge to a financial institution.

Contingent Liabilities

The Group had no significant contingent liability as at 31 March 2009.

Capital Commitments

As at 31 March 2009, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK$67.1 million.


ALWAYS
ENCHANTING
Blumarine
BELLISSIMA
DSQUARED2
HE WOOD
FOR MEN


Pretty
Elizabeth Arden
THE
ICEBERG
FRAGRANCE
BERGAMOT • LAVAND
CARDAMOM • ORRIS •
CEDARWOOD • AMBR
SAGE • VANILLA • MU
PATCHOULY • AMB
ICEBERG
Ferrari
UOMO
TRUSSARDI
INSIDE

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Eleanor Kwok
Vice-Chairman

Dr. Simon Kwok, *JP*
Chairman & CEO

* A member of the Audit Committee
Δ A member of the Compensation Committee
§ A member of the Executive Committee
\# A member of the Nomination Committee

Executive Directors

Dr. KWOK, Siu Ming, Simon §, *JP*

Chairman and Chief Executive Officer

Aged 56. Dr. Kwok together with his wife, Dr. Kwok Law, Kwai Chun, Eleanor, has run Sa Sa's operations since the early days and successfully listed the Company on the Stock Exchange of Hong Kong in June 1997. Over the past 31 years, Dr. Kwok has played a leading role in transforming the Company into a leading market player with a regional network of operations in Asia. Dr. Kwok is currently a Committee Member of the 10th Chinese People's Political Consultative Conference of Hubei Province, the Honorary Life President of The Cosmetic & Perfumery Association of Hong Kong, the Honorary President of Federation of Beauty Industry (HK), a Governing Council Member (Retailer Category) of the Quality Tourism Services Association, the Founding Honorary Chairman of the Professional Validation Centre of Hong Kong Business Sector, and the Life President of the Hong Kong Brands Protection Alliance. He is also a member of the Board of Trustees of New Asia College, The Chinese University of Hong Kong, a voting member of The University of Hong Kong Foundation, a member of the University Court of Hong Kong University of Science and Technology, and a founding life member and 2007 Board Member of the Hong Kong Polytechnic University Development Foundation. Dr. Kwok was the winner of the "Owner-Operator Award" at the DHL/SCMP Hong Kong Business Awards 2007 and a winner in the Retail Category in the "Ernst & Young Entrepreneur of the Year Awards China 2006". Dr. Kwok received the degree of Doctor of Business Administration *honoris causa* from the Lingnan University in 2008.

Dr. Kwok is an active participant in the work of charities. He is a Co-chairman of Community for the Chest Campaign Committee 2007-09, an Executive Board Member of the Hong Kong AIDS Foundation 2006-09, and an Honorary Advisor and Organising Committee Member of the 2007-08 Fund-Raising Initiative of The Hong Kong Committee for the China AIDS Initiative.

Dr. Kwok is the Chairman of the Executive Committee for the Group, and the brother-in-law of Mr. Law Kin Ming, Peter, Senior Vice President of Category Management and Product Development of the Company. He is also a director and shareholder of Sunrise Height Incorporated and Green Ravine Limited, which are controlling and substantial shareholders of the Company. Both Dr. Simon Kwok and Dr. Eleanor Kwok have a 50 per cent stake each in the two companies. In addition, Dr. Kwok is a director of certain subsidiaries of the Group. Details of his interest in the shares and underlying shares in the Group are set out in "Report of the Directors".

Dr. KWOK LAW, Kwai Chun, Eleanor Δ §

Vice-Chairman

Aged 55. A founder of the Group and a member of the Executive, Compensation and Nomination committees. Dr. Kwok has more than 33 years' experience in the sales and marketing of beauty products. With extensive professional knowledge and many years of experience in cosmetics retailing, she pioneered the unique operational concept of open-shelf display of beauty products, making shopping a more enjoyable experience. Dr. Kwok plays a leading role in the marketing, operations, human resources and staff training functions of the Group. She is currently the Honorary President of The Cosmetic & Perfumery Association of Hong Kong, the Honorary President of The Hong Kong Federation of Women ("HKFW") and a member of The HKFW Entrepreneurs Committee. Dr. Kwok won the "Outstanding Women Entrepreneurs Award" of the Hong Kong Women Professionals & Entrepreneurs Association in 2008, and received a "World Outstanding Chinese" award from the World Outstanding Chinese Association and World Chinese Business Investment Foundation. She was conferred an Honorary Doctorate of Management by Morrison University, USA, and an Honorary Fellowship by the Professional Validation Centre of Hong Kong Business Sector.

Dr. Kwok is actively involved in charity activities. She is a director in the Board of Directors 2006-09 for Po Leung Kuk, the Honorary Vice-President of The Hong Kong Girl Guides Association 2006-09, and a patron of Caritas Fund Raising Campaign 2007-09.

Dr. Kwok is the wife of Dr. Kwok Siu Ming, Simon, and the sister of Mr. Law Kin Ming, Peter, Senior Vice President of Category Management and Product Development of the Company. She is a director and shareholder of Sunrise Height Incorporated and Green Ravine Limited, which are controlling and substantial shareholders in the Company. Both Dr. Eleanor Kwok and Dr. Simon Kwok have a 50 per cent stake each in the two companies. Dr. Kwok is a director of certain subsidiaries of the Group. Details of her interest in the shares and underlying shares in the Group are set out in "Report of the Directors".

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LOOK, Guy §

Chief Financial Officer and Executive Director

Aged 52. Mr. Look is Chief Financial Officer ("CFO") and Executive Director, and a director of certain subsidiaries of the Group. Mr. Look has over 27 years of experience in local and overseas financial and general management. Prior to joining Sa Sa in March 2002, he was the CFO and an Executive Director of Tom.com Limited (renamed TOM Group Ltd.). Mr. Look was appointed as an Independent Non-Executive Director of Café de Coral Holdings Limited in April 2009. He holds a Bachelor's degree in Commerce from the University of Birmingham, England. Mr. Look is an associate member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants ("HKICPA"). He is also a member of the Professional Accountants in Business Advisory Panel of HKICPA. Mr. Look is the Vice Chairman of the Hong Kong Retail Management Association. He is a member of the Statistics Advisory Board of the Government of the Hong Kong Special Administrative Region and a member of the Departmental Advisory Committee for the Department of Management Sciences of the City University of Hong Kong.

Mr. Look is the nephew of Mrs. Lee Look, Ngan Kwan, Christina. Details of his interest in the shares and underlying shares in the Company are set out in "Report of the Directors".

Non-Executive Directors

Professor CHAN, Yuk Shee *, *PhD, JP*

Independent Non-Executive Director

Aged 55. Appointed as an Independent Non-Executive Director and Chairman of the Audit Committee of the Group since November 1999. Professor Chan is currently the President of the Lingnan University of Hong Kong. Previously, he had served as Vice President for Academic Affairs of the Hong Kong University of Science and Technology. He obtained a PhD in Finance, as well as an MBA and MA in Economics from the University of California at Berkeley. He is the Chairman of the Social Welfare Advisory Committee, and a member of the Public Service Commission and the Process Review Panel for the Securities and Futures Commission. Details of his interest in the shares and underlying shares in the Group are set out in "Report of the Directors".

Ms. KI, Man Fung, Leonie * Δ, *SBS, JP*

Independent Non-Executive Director

Aged 62. Appointed as an Independent Non-Executive Director of the Group in December 2006. Ms. Ki is the Managing Director of New World China Enterprises Projects Limited, a Director of Kunming New World First Bus Services Limited, a Non-Executive Director of New World Development Company Limited and an Independent Non-Executive Director of Clear Media Limited. Ms. Ki has more than 32 years' experience in integrated communication and marketing services. She was the founder, partner and Chairman/Chief Executive Officer of Grey Hong Kong Advertising Limited and Grey China Advertising Limited. Ms. Ki is committed to the community and public services. She was the Chief Executive of The Better Hong Kong Foundation. She is currently a council member of UNICEF, a life member of the Children's Cancer Foundation, a court and council member of Lingnan University, a member of the Asian Advisory Board of Cheng Yu Tung Management Institute, Richard Ivey School of Business (University of Western Ontario, Canada), a member of the Sports Commission of Hong Kong and a CPPCC member of Yunnan Province.

Mrs. LEE LOOK, Ngan Kwan, Christina

Non-Executive Director

Aged 85. Appointed as an Independent Non-Executive Director of the Group in May 1997 and re-designated as Non-Executive Director in June 2004. Mrs. Lee is the widow of the founder of Television Broadcasts Limited, Mr. Lee Hsiao-Wo. Mrs. Lee has been a director of Television Broadcasts Limited since 1981 and is actively involved in Caritas, Hong Kong, a local charitable organisation. Mrs. Lee is the aunt of Mr. Guy Look. Details of her interest in the shares and underlying shares in the Company are set out in "Report of the Directors".

Dr. LEUNG, Kwok Fai, Thomas * Δ #, *PhD, BBS, JP*

Independent Non-Executive Director

Aged 60. Appointed as an Independent Non-Executive Director of the Group in January 2000 and is the Chairman of the Compensation Committee for the Group. Dr. Leung has over 26 years' experience in management consultancy and is an expert in organisation and human resources development. Dr. Leung holds a PhD in Business Administration from the University of Illinois. He has been appointed to significant positions in many public organisations and committees by the Hong Kong Special Administrative Region Government and was formerly Chief Executive – Asia for Hay Group, one of the world's leading management consulting firms.

Ms. TAM, Wai Chu, Maria * Δ #, *GBS, JP*

Independent Non-Executive Director

Aged 63. Appointed as an Independent Non-Executive Director of the Group in June 2004 and the Chairman of the Nomination Committee of the Group. Ms. Tam was educated at London University. She qualified as a barrister-at-law at Gray's Inn, London, and practised in Hong Kong. She was a member of the Preparatory Committee for the Hong Kong Special Administrative Region (PRC) and Hong Kong Affairs Advisor (PRC), as well as a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption. She is a deputy to the National People's Congress of The People's Republic of China, a member of the Hong Kong Basic Law Committee, and a member of the Task Group on Constitutional Development of the Commission on Strategic Development. She is also a member of various community services organisations. Details of her interest in the shares and underlying shares in the Company are set out in "Report of the Directors".

Senior Management

Mr. CHU, Bun, Wilson

Chief Operating Officer

Aged 53. As the Group's Chief Operating Officer ("COO"), Mr. Chu is responsible for overseeing the entire cosmetics retail business of the Group in Hong Kong, Macau and Mainland China markets. He is also a director of a subsidiary of the Group. Mr. Chu has over 25 years of management experience in Hong Kong and Canada. He was with Sa Sa as COO from December 2003 to June 2006, and rejoined the Group in April 2007. Prior to this, Mr. Chu was the COO of SUNDAY Communications Limited, the President of adMart Limited, the Managing Director of the Body Shop's Hong Kong and Macau operations, an Executive Director of Giordano International Limited and Director/COO of Tiger Enterprises Limited (Giordano's joint venture in China). Mr. Chu holds a Bachelor's degree in Economics from the University of Western Ontario, Canada and an MBA from York University, Canada. He is a member of the Hong Kong Institute of Certified Public Accountants and the Canadian Institute of Chartered Accountants. Mr. Chu is the Vice-President of The Cosmetic & Perfumery Association of Hong Kong for 2007-09.

Mr. LAW, Kin Ming, Peter

Senior Vice President, Category Management & Product Development

Aged 53. Joined the Group in January 1996, Mr. Law was appointed Senior Vice President, Category Management & Product Development in January 2008. He has more than 27 years' experience in the field of sales and marketing, 18 of which were in senior management positions. He is also a director of a subsidiary of the Group. Mr. Law oversees the Group's category management and product development function. He is also responsible for the Group's acquisition of exclusive distribution rights of international brands and the development of own-brand products. He holds a Bachelor's degree in Arts majoring in Communications Studies from the University of Windsor, Ontario, Canada and pursued a Bachelor's degree in Commerce later. Mr. Law is the Honorary Advisor of The Cosmetic & Perfumery Association of Hong Kong. Mr. Law is a brother of Dr. Kwok Law, Kwai Chun, Eleanor and a brother-in-law of Dr. Kwok, Siu Ming, Simon.

Ms. LOI, Wei Sin, Corina

Senior Vice President / Country Head of Malaysia

Aged 49. Joined Sa Sa in October 1997, Ms. Loi was appointed as Vice President/General Manager of Malaysia in January 2001 and promoted to Senior Vice President and Country Head of Malaysia in July 2008. She is also a director of a subsidiary of the Group. Ms. Loi was a crucial member of the start-up team for the Malaysian operation. Ms. Loi has over 26 years of marketing and retail experience ranging from health food products to high fashion. Prior to joining Sa Sa, she was with Dickson Trading (Malaysia).

Ms. LU, Szu-Jen

Senior Vice President, Information Technology

Aged 52. Joined Sa Sa as Senior Vice President of Information Technology in December 2004. She held senior management positions with various multinational information technology corporations. Before joining Sa Sa, she was the Chief Technology Officer of Softbank Investment International (Strategic) Limited, a venture capital firm which focused on internet technology investment projects. Ms. Lu holds a Master of Science in Computer Science from The Johns Hopkins University, USA.

CORPORATE GOVERNANCE REPORT

Corporate responsibility embraces a culture of good governance and accountability throughout the organization

The Company considers that good corporate governance to be essential to achieving higher corporate value over the medium to long term as it contributes towards building lasting goodwill and trust in the Company and its subsidiaries ("Group") and the brands it promotes and carries. A keen awareness of its corporate responsibility towards shareholders in line with good corporate governance has given the Company the edge in attracting and retaining talent, enhancing customer loyalty and retaining its position as a leader in the cosmetic retail and wholesale industry in Asia. In real terms, a culture of corporate responsibility has also proven its worth in ensuring consistent performance enhancement and delivery of better returns to shareholders. The Board has been and will continue to dedicate its efforts in the establishment and enhancement of such culture across the Group for an efficient and effective business operation.

Composition of the Board and various Board Committees

Commitment in corporate governance

The Company is committed to good corporate governance practices and procedures. The board ("Board") of directors ("Directors") appreciates that corporate responsibility is relevant across all aspects of the Group's operations. It has always been an integral part of the Group's business strategies, creating value for the Group's different stakeholders over the years. The Company's commitment is clearly outlined in its various policies for corporate responsibility to ensure that its business is carried out in an ethical manner in line with the international as well as local best practices.

The Company has complied with the code provisions ("Code Provision(s)") in the Code on Corporate Governance Practices ("CG Code") set out in Appendix 14 of the Rules Governing Listing of Securities of The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 March 2009 except for deviation from the Code Provisions A.2.1, particulars of which are set out below.

A. Director

A.1. The Board

Principle

An issuer should be headed by an effective board which should assume responsibility for leadership and control of the issuer and be collectively responsible for promoting the success of the issuer by directing and supervising the issuer's affairs. Directors should take decisions objectively in the interests of the issuer.

Code ref.	Code provisions	Compliance	Remarks
A.1.1	Board meetings should be held at least 4 times a year at approximately quarterly intervals, involving active participation.	✓	The Board meets physically and regularly. Five Board meetings were held during the year ended 31 March 2009 and at least once quarterly. Summary of the Directors' meeting attendance is set out in latter part of this section. The Directors attended the meetings in person or by telephone in accordance with the Company's articles of association ("Articles of Association"). The CEO and CFO of the Company were invited to attend certain Board committee meetings, and other management may from time to time be invited to attend Board meetings to make presentations or answer the Board's enquiries.
A.1.2	All directors should be given opportunity to include matters in the agenda for regular board meetings.	✓	Agendas for Board and Board committee meetings are sent to all Directors in advance and they are given opportunities with reasonable time to include relevant matters in the agenda for discussion in the Board and Board committee meetings.
A.1.3	At least 14 days' notice should be given for regular board meetings.	✓	Timetable for regular Board meetings are scheduled well in advance to facilitate and maximize the attendance and participation of all Directors whilst reasonable notices are given for all other Board meetings.
A.1.4	Directors should have access to company secretary's advice and services.	✓	Directors have access to the advice and services of the company secretary of the Company ("Company Secretary") to ensure that Board procedures, and all applicable rules and regulations, are followed.

A. Director (continued)

A.1. The Board (continued)

Code ref.	Code provisions	Compliance	Remarks
A.1.5	Board minutes and board committee minutes should be kept by company secretary and open for inspection.	✓	Minutes of the Board meetings and Board committee meetings are kept by the Company Secretary and they are open for inspection at reasonable time upon reasonable notice by any Director.
A.1.6	Minutes should record sufficient detail, concerns raised and dissenting views expressed by directors and draft and final versions should be sent to directors for comment and records.	✓	Minutes of the Board and Board committee meetings record sufficient detail in matters considered by the Board and the Board committees and decisions reached, including any concerns raised by Directors or dissenting views expressed. Draft and final versions of minutes of the Board and Board committee meetings were sent to all the relevant Directors for their comment and records respectively, in both cases within a reasonable time after the Board and Board committee meetings were held.
A.1.7	Upon reasonable request, there should be procedure agreed by the board to enable directors to seek independent professional advice at the Company's expenses.	✓	The Company established a guideline for Directors to obtain independent professional advice ("Independent Advice Guideline") to enable the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expense. The Board shall resolve to provide separate independent professional advice to Directors to assist the relevant Director or Directors to discharge his/their duties to the Company pursuant to the Independent Advice Guideline.
A.1.8	If substantial shareholder or director has a conflict of interest in a material matter, the matter should be dealt with by board meeting with independent non-executive directors with no material interest present.	✓	If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter shall not be dealt with by way of circulation or by a committee (except an appropriate Board committee is set up for that purpose pursuant to a resolution passed in a Board meeting) but a Board meeting shall be held, during which such Director must abstain from voting. INEDs who, and whose associates, have no material interest in the transaction shall be present at such Board meeting.

The business and affairs of the Group shall be under the direction of and vest with the Board pursuant to the Articles of Association. The Board is elected by the shareholders and is the ultimate decision making body of the Group except for those matters reserved for shareholders. The Board accepts that it is ultimately accountable and responsible for the performance and affairs of the Group. However, while the Board retains oversight responsibility, certain of that authority is necessarily delegated by the Board to the management in order to enable the management to develop and implement the Company's strategic plans and annual operating plans, and to conduct the Company's day-to-day activities. The Board diligently monitors the management's performance in that regard but responsibility for conducting the Company's day-to-day operations rests with the management.

A. Director (continued)

A.1. The Board (continued)

The Board appointed four Board committees, namely executive committee, audit committee, compensation committee and nomination committee to oversee particular aspects of the Group's affairs. Compositions and responsibilities of these Board committees are set out in latter part of this report. The Company shall review the said delegation arrangements on a periodic basis to ensure that they remain appropriate to its needs. The Board and the Board committee work under well-established corporate governance practices and its terms of reference which reinforces the responsibilities of Directors in accordance with the requirements of the Listing Rules and other relevant statutory and regulatory requirements.

The Directors' attendance at the Board and Board committee meetings of the Company during the year ended 31 March 2009 is set out in the following table ("Meeting Attendance"):

Name of Directors	Board meeting	Executive committee meeting	Audit committee meeting	Compensation committee meeting	Nomination committee meeting
Executive Directors					
Dr. KWOK, Siu Ming, Simon	5	9	5 (Note 1)	1 (Note 2)	1 (Note 3)
Dr. KWOK LAW, Kwai Chun, Eleanor	5	8	3 (Note 1)	1	1
Mr. LOOK, Guy	5	9	5 (Note 1)	n/a	n/a
Non-executive Director					
Mrs. LEE LOOK, Ngan Kwan, Christina	4	n/a	n/a	n/a	n/a
INEDs					
Professor CHAN, Yuk Shee	5	n/a	5	n/a	n/a
Dr. LEUNG, Kwok Fai, Thomas	4	n/a	3	1	1
Ms. TAM, Wai Chu, Maria	5	n/a	5	1	1
Ms. KI, Man Fung, Leonie	5	n/a	5	1	n/a
Total Meetings Held	**5**	**9**	**5**	**1**	**1**

Notes:

(1) Dr. KWOK, Siu Ming, Simon, Dr. KWOK LAW, Kwai Chun, Eleanor and Mr. LOOK, Guy attended the audit committee meetings as invitees.

(2) Dr. KWOK, Siu Ming, Simon attended the compensation committee meeting as an invitee.

(3) Dr. KWOK, Siu Ming, Simon attended the nomination committee meeting as an invitee.

A. Director (continued)

A.2. Chairman and CEO

Principle

There are two key aspects of the management of every issuer – the management of the board and the day-to-day management of the issuer's business. There should be a clear division of these responsibilities at the board level to ensure a balance of power and authority, so that power is not concentrated in any one individual.

Code ref.	Code provisions	Compliance	Remarks
A.2.1	Roles of chairman and CEO should be separate, clearly established and set out in writing.	Please refer to remarks	Dr. KWOK, Siu Ming, Simon has been both the chairman and CEO of the Company whose responsibilities were clearly set out in writing as approved and amended by the Board. Given the Group's current stage of development, the Board considers that vesting the roles of chairman and CEO in the same person facilitates the execution of the Group's business strategies and maximizes effectiveness of its operation. The Board shall nevertheless review the structure from time to time and it will consider the appropriate move to take should suitable circumstance arise.
A.2.2	Chairman should ensure directors are briefed on issues arising at board meetings.	✓	Pursuant to the Board's terms of reference (as amended from time to time), the chairman shall ensure the Board address the major issues of the Group, and that these issues are presented in a manner which facilitates thorough discussion and the appropriate resolution and all Directors are properly briefed on issues arising at the Board meetings. He shall also ensure that Directors receive adequate information, which must be complete and reliable, in a timely manner.
A.2.3	Chairman should ensure directors receive timely and adequate information.		

A. Director (continued)

A.3. Board composition

Principle

The board should have a balance of skills and experience appropriate for the requirements of the business of the issuer. The board should ensure that changes to its composition can be managed without undue disruption. The board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgment. Non-executive directors should be of sufficient calibre and number for their views to carry weight.

Code ref.	Code provisions	Compliance	Remarks
A.3.1	Independent non-executive directors should be expressly identified as such in all corporate communications disclosing its names.	✓	The INEDs are expressly identified in all corporate communications that disclose the names of the Directors. The Board currently comprises three executive Directors, namely Dr. KWOK, Siu Ming, Simon, Dr. KWOK LAW, Kwai Chun, Eleanor and Mr. LOOK, Guy, and five NEDs in which four of them are INEDs, representing more than one-third of the Board. The INEDs are Professor CHAN, Yuk Shee, Dr. LEUNG, Kwok Fai, Thomas, Ms. TAM, Wai Chu, Maria and Ms. KI, Man Fung, Leonie who offer diversified expertise and serve to advise the Board and management on strategic development and provide checks and balances for safeguarding the interest of the shareholders and the Group as a whole. The Company has received an annual written confirmation from each of the INEDs that they have met all the independent guidelines set out in Rule 3.13 of the Listing Rules. Biographies with relevant relationships among members of the Board, if any, are shown on page 44 under the section "Biographical Details of Directors and Senior Management".

A.4. Appointments, re-election and removal

Principle

There should be a formal, considered and transparent procedure for the appointment of new directors to the board. There should be plans in place for orderly succession for appointments to the board. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director.

Code ref.	Code provisions	Compliance	Remarks
A.4.1	Non-executive directors should be appointed for a specific term, subject to re-election.	✓	All the NEDs were appointed for a specific term, subject to re-election pursuant to the Articles of Association and the Listing Rules, which are shown on page 83 of the Report of the Directors.

A. Director (continued)

A.4. Appointments, re-election and removal (continued)

Code ref.	Code provisions	Compliance	Remarks
A.4.2	All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment; every director should be subject to retirement by rotation at least once every 3 years.	✓	According to the Articles of Association, all Directors appointed to fill a casual vacancy or as an addition to the Board should be subject to election by shareholders at the first general meeting after their appointment. Every Director shall be subject to retirement by rotation at least once every three years and subject to re-election. Pursuant to Article 116 of the Articles of Association, Mrs. LEE LOOK, Ngan Kwan, Christina, Ms. TAM, Wai Chu, Maria and Ms. KI, Man Fung, Leonie will retire by rotation at the AGM to be held on 27 August 2009 ("AGM 2009") and, being eligible, will offer themselves for re-election.

The Board had established a nomination committee on 31 March 2005, whose members are Ms. TAM, Wai Chu, Maria, being the chairman, Dr. KWOK LAW, Kwai Chun, Eleanor and Dr. LEUNG, Kwok Fai, Thomas.

The terms of reference of the nomination committee which is made available on the website of the Group, has set out details of its role and functions, nomination procedures and the process and criteria adopted for selection and recommendation of candidates for directorship of the Company, summary of which is set out below.

The nomination committee is responsible for, inter alia:–

(i) determining the policy for the nomination of Directors;

(ii) reviewing the structure, size and composition (including the skills, knowledge and expertise) of the Board on a regular basis and making recommendations to the Board regarding any proposed changes;

(iii) identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(iv) assessing the independence of INEDs; and

(v) making recommendations to the Board on the relevant matters relating to the appointment or re-appointment of Directors.

A. Director (continued)

A.4. Appointments, re-election and removal (continued)

When selecting and recommending candidates for directorship for the Board's consideration, the nomination committee shall review a potential candidate and consider various factors including but without limitation to:–

(i) the skills, experience, expertise and personal qualities that will best complement the Board's effectiveness;

(ii) the capability of the candidate to devote the necessary time and commitment to the role and this involves a consideration of matters such as other Board or executive appointments; and

(iii) the potential conflicts of interest and independence.

During the year ended 31 March 2009, the nomination committee reviewed and considered the re-appointment of Mr. LOOK, Guy as the CFO and executive director and member of the executive committee and his re-appointment was recommended to, and subsequently approved by, the Board. A meeting of nomination committee was held during the year for, among others, reviewing and considering the re-appointments of Professor CHAN, Yuk Shee as INED and chairman of audit committee and Dr. LEUNG, Kwok Fai, Thomas as INED and chairman of compensation committee and member of audit and nomination committees, both of which has served as INED of the Company for more than 9 years by their re-appointments. Their re-appointments were recommended to, and subsequently approved by, the Board and shareholders in the annual general meeting in 2008, particulars of the meetings were set out in the Meeting Attendance.

A.5. Responsibilities of Directors

Principle

Every director is required to keep abreast of his responsibilities as a director of an issuer and of the conduct, business activities and development of that issuer. Given the essential unitary nature of the board, non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.

Code ref.	Code provisions	Compliance	Remarks
A.5.1	Every newly appointed director should receive a comprehensive, formal induction and subsequent briefing and development as is necessary.	✓	The Company adopted policy on the induction ("Induction") for newly appointed Director(s) ("Induction Policy"). A comprehensive, formal and tailored Induction shall be provided by the management to familiarize the newly appointed Director with the Company's operations, business environment and plans, financial positions, his/her responsibilities under statute and common law, the Listing Rules, applicable legal and other regulatory requirements and the business and governance policies of the Group respectively. Subsequent briefing and professional development shall be provided to the newly appointed Director as and when necessary. Memos and materials to keep Directors up to date with the legal and regulatory changes and matters of relevance to the Directors to discharge their duties are sent from time to time including the amendments to the Listing Rules with effect from 1 January 2009.

A. Director (continued)

A.5. Responsibilities of Directors (continued)

Code ref.	Code provisions	Compliance	Remarks
A.5.2	Functions of non-executive directors should include the Code Provision A.5.2 in the CG Code.	✓	The NEDs exercise their independent judgment and advise on future business direction and strategic plans of the Group. NEDs review the financial information and operational performance of the Group on a regular basis. INEDs are invited to serve on the audit, compensation and nomination committees of the Board.
A.5.3	Directors should give sufficient time and attention to company's affairs.	✓	Satisfactory attendance at the Board and Board committee meetings was shown in the Meeting Attendance. The executive Directors have hands-on knowledge and expertise in operations and designated areas that they are responsible. With reference to their respective areas of expertise and experiences, the Directors contribute sufficient time as well as attention to the affairs of the Group.
A.5.4	Directors must comply with model code for securities transaction by directors of listed issuers ("Model Code") in Appendix 10 of the Listing Rules and the board should establish written guidelines on no less exacting terms than the Model Code for relevant employees in respect of their dealings in company's shares.	✓	The Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code ("Company's Code"). Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code and the Company's Code. Policy on no less exacting terms than the Model Code relating to securities transactions for relevant employees are also approved by the Board and adopted by the Group.

A. Director (continued)

A.6. Supply of and access to information

Principle

Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as directors of an issuer.

Code ref.	Code provisions	Compliance	Remarks
A.6.1	Agenda and board papers should be sent to directors at least 3 days before regular board meeting or board committee meeting.	✓	In respect of regular Board meetings, and so far as practicable in all other cases, Board papers are dispatched to Board and Board committee members not less than 3 days or such other agreed period before Board or Board committee meetings.
A.6.2	Management should supply board and its committees with adequate information in timely manner. Each director should have separate and independent access to the issuer's senior management.	✓	The CFO attended all Board and audit committee meetings so as to attend to issues and enquiries in respect of accounting and financial matters whilst the Company Secretary attended all Board and Board committee meetings to attend to the issues and enquiries in respect of corporate governance, statutory and regulatory compliance matters. Communication between the Directors on one hand, and the Company Secretary and CFO, who act as coordinators for the other business units of the Group on the other, is a dynamic and interactive process which attends to the queries raised and clarification sought by the Directors as promptly and fully as possible and further supporting information and documents were provided to the Directors as and when appropriate. Board papers and minutes are made available for inspection by the Directors.
A.6.3	All directors are entitled to have access to board papers and related materials.	✓	

B. Remuneration of Directors and senior management

B.1. The level and make-up of remuneration and disclosure

Principle

An issuer should disclose information relating to its directors' remuneration policy and other remuneration related matters. There should be a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration packages for all directors. Levels of remuneration should be sufficient to attract and retain the directors needed to run the company successfully, but companies should avoid paying more than is necessary for this purpose. No director should be involved in deciding his own remuneration.

Code ref.	Code provisions	Compliance	Remarks
B.1.1	Issuers should establish a remuneration committee, majority of whom shall be independent non-executive directors.	✓	Please refer to the section below.
B.1.2	Remuneration committee should consult chairman and/or CEO about proposals relating to remuneration of other executive directors and have access to professional advice if considered necessary.	✓	
B.1.3	Terms of reference of the remuneration committee should include the duties in Code Provision B.1.3 of the CG Code.	✓	
B.1.4	Remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.	✓	
B.1.5	Remuneration committee should be provided with sufficient resources to discharge its duties.	✓	

B. Remuneration of Directors and senior management (continued)

B.1. The level and make-up of remuneration and disclosure (continued)

A compensation committee had been first formed in December 1999 and was then formally established in March 2000. There are four compensation committee members currently, namely Dr. LEUNG, Kwok Fai, Thomas, who presides as the chairman, Dr. KWOK LAW, Kwai Chun, Eleanor, Ms. TAM, Wai Chu, Maria and Ms. KI, Man Fung, Leonie and the majority of whom are INEDs.

The role and authorities of the compensation committee, including those set out in the Code Provision B.1.3 in the CG Code, were clearly set out in its terms of reference which are available at the Company's website and on request. Pursuant to its terms of reference, the compensation committee should be provided with sufficient resources to discharge its duties, including obtaining independent professional advice in appropriate circumstances as and when deem necessary and fit pursuant to the Independent Advice Guideline adopted by the Company from time to time.

During the year ended 31 March 2009, the compensation committee, among others, reviewed and considered the remuneration of both executive and non-executive Directors, incentive scheme of the Group, the performance and the terms and conditions in the employment agreement (including remuneration package) of Mr. Guy Look, who is the executive director and CFO of the Company, for a further term of 3 years commencing from 1 March 2009 to 29 February 2012. The above were recommended to, and subsequently approved by, the Board. The compensation committee held a meeting during the year, in which all compensation committee members attended, particulars of the meetings were set out in the Meeting Attendance. The chairman and CEO was invited to attend the compensation committee meeting for consultation of the above matters.

Emolument policy and long-term incentive plan

The Group provides competitive remuneration packages which consist of base compensation, incentives and fringe benefits for recruiting, retaining and motivating the experienced or potential personnel.

Generally base compensation forms a significant element of the remuneration packages. The Group pays a competitive base compensation with reference to the prevailing market conditions and the respective duties and responsibilities of the relevant employee(s).

Incentives are given in form of various kinds of bonus and an opportunity to participate in the Group's long-term success through its share option scheme adopted on 29 August 2002 ("Share Option Scheme"). Details of the Share Option Scheme are set out on page 78 of this annual report.

Fringe benefits like provident fund benefits, medical insurance, personal accident insurance, employee compensation and business travel insurance are also offered to the Group's employees.

With reference to the Directors' expertise and experience, duties and responsibilities, experience, industry standards, prevailing market conditions as well as the Group's performance, the Directors' emolument is recommended by the compensation committee and approved and determined by the Board. The emolument of Directors mainly consists of base compensation and share options, particulars of which are set out in the note 9 to the financial statements in this annual report.

CORPORATE GOVERNANCE REPORT

C. Accountability and audit

C.1. Financial Reporting

Principle

The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.

Code ref.	Code provisions	Compliance	Remarks
C.1.1	Management should provide information to the board to enable the board to make informed assessment of financial situation.	✓	Please refer to the section below.
C.1.2	Directors should acknowledge responsibility for preparing accounts on a going concern basis and there should be a statement by auditors about their reporting responsibilities in the auditors' report on the financial statements. The corporate governance report should contain sufficient information to enable investors to understand severity and significance of matters at hand.	✓	
C.1.3	Board should present a balanced, clear and understandable assessment in annual and interim reports, other price-sensitive announcements and other financial disclosures under the Listing Rules and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.	✓	

C. Accountability and audit (continued)

C.1. Financial Reporting (continued)

Management shall provide explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put forward to the Board for approval. Directors are provided with financial information and relevant review and update on the Group's major business units on a quarterly basis.

The Directors acknowledged their responsibility for preparation of financial statements which give a true and fair view of the Group's state of affairs of the results and cashflow for the year. Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as set out in the Code Provision C.1.2 of CG Code.

With the assistance of the accounts department which is under the supervision of the CFO, the Directors ensure the preparation of the financial statements of the Group is in accordance with statutory requirement and applicable accounting standards. In preparing the financial statements for the year ended 31 March 2009, the Directors have:

(i) approved the adoption of all applicable Hong Kong Financial Reporting Standards which are issued by the Hong Kong Institute of Certified Public Accountants;

(ii) selected and applied consistently appropriate accounting policies;

(iii) made judgments and estimates that are prudent and reasonable; and

(iv) prepared the financial statements on a going concern basis.

The Independent Auditor's Report on page 88 of this annual report has set out the reporting responsibilities of PricewaterhouseCoopers ("PwC"), the auditor of the Company.

The Board recognizes the importance of good corporate governance and transparency and its accountability to shareholders. It shall present a balanced, clear and understandable assessment in annual and interim reports, other price-sensitive announcements and other financial disclosures of the Group as required under the Listing Rules, and shall report to regulators as well as to disclose information pursuant to the relevant statutory requirements. The Company announces its annual and interim results well before the prescribed period of four months after the financial year and three months after the end of first six months of the financial year respectively as required by the Listing Rules. To enhance its transparency and regularly update the market of its performance, the Company issued on 8 January 2009, and shall continue to issue, unaudited quarterly operations update following the 1st and 3rd quarter ends.

C. Accountability and audit (continued)

C.2. Internal controls

Principle

The board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholders' investment and the issuer's assets.

Code ref.	Code provisions	Compliance	Remarks
C.2.1	Directors should at least annually review effectiveness of the system of internal control of the Group and state so in corporate governance report.	✓	Please refer to the section below.
C.2.2	Board's annual review should, in particular, consider the adequacy of resources, qualifications and experience of staff of the issuer's accounting and financial reporting function, and their training programmes and budget.	✓	

Internal control and risk management

Recognizing that a well-designed system of internal control is crucial to safeguard the assets of the Group and to ensure the reliability of financial reporting as well as compliance with laws and regulations, the Group is committed to set up and maintain a sound and effective internal control system which is devised to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives. The Board also acknowledges that it has overall responsibility for the Group's internal control, financial control and risk management system and shall monitor its effectiveness from time to time.

C. Accountability and audit (continued)

C.2. Internal controls (continued)

Internal control system

The Group has had in place an integrated framework of internal controls through the following major processes:

(i) systems and procedures are in place to identify and measure risks on an ongoing basis. Senior management conducts annual risk assessment and monitors the progress of risk mitigation plans;

(ii) an organization structure with defined lines of responsibility, proper segregation of duties and delegation of authority is devised;

(iii) the Board reviews its strategic plans and objectives on an annual basis. The annual strategic plans lay down the basis for resources and financial budgeting;

(iv) an effective accounting and information system is designed to ensure accurate and timely disclosure and reporting;

(v) financial performance is analyzed against budget quarterly with variances being accounted for and appropriate actions are taken to rectify deficiencies; and

(vi) the internal audit function conducts independent review to evaluate the adequacy and effectiveness of major controls over principal operations. Major findings and recommendations, if any, are reported to the audit committee on a quarterly basis.

Internal audit function

The Group has maintained an internal audit function that is responsible for assisting the Board in maintaining effective internal controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. The internal audit function of the Group, which is independent of the management of the Company, reports directly to the audit committee quarterly and has access to the chairman of the audit committee, if appropriate.

During 2008, the Group outsourced certain internal audit activities to an independent risk consulting firm which is not the auditor of any members of the Group ("Internal Control Consultants") under a co-sourcing arrangement. The internal control function performed reviews of the Group's internal controls based on a risk-based annual audit plan approved by the audit committee.

The annual audit plan was arrived at using a risk-based approach to determine the priorities of the internal audit activities. The audit committee has the final authority to review and approve the annual audit plan and all major changes to the plan. In addition, special reviews may also be performed on areas of concern identified by management or the audit committee from time to time.

Risk assessment

During the year ended 31 March 2009, the Internal Control Consultants facilitated a comprehensive risk assessment exercise for the Group which covered the Group's operations in the Hong Kong Special Administrative Region ("Hong Kong") of the People's Republic of China ("PRC"), the PRC, Taiwan, Singapore and Malaysia.

In conducting the risk assessment, management embraces a "top-down" approach as recommended by the Committee of Sponsoring Organizations of the Treadway Commission. Management defined the objectives of the Group and the related risk categories impacting those objectives.

C. Accountability and audit (continued)

C.2. Internal controls (continued)

Risk assessment (continued)

The Internal Control Consultants have conducted interviews with selected key members of management team to define the strategic objectives of the Group and to identify major updates in the risk profile of the Group resulted from the changing internal and external environment.

Risk assessment questionnaires were designed and circulated to the local management of each location as a means to identify any events impacting the achievement of the Group's objectives. Interviews have been arranged to further the Internal Control Consultants' understanding of each participant's views on risks encountered by the Group.

All participants were invited to join risk assessment workshops to discuss the results of the questionnaires and interviews. Through facilitated discussion and anonymous voting mechanism, the key risks have been ranked in terms of significance and likelihood. Follow-up meetings with the designated risk owners have been arranged to discuss the risk mitigation plans with respect to each key risk identified.

The results would be presented to the Board and the audit committee to enhance the accountability and quality of the risk management process of the Group.

Internal control review

Internal control reviews were carried out in accordance with the risk-based audit plan and the specific requests by the audit committee and management. During the year ended 31 March 2009, the internal control function has conducted reviews on the Group's retail operations in Hong Kong, the PRC, Taiwan, and Singapore. Reviews have also been conducted on Hong Kong's marketing function and warehouse management.

Audit planning meetings were arranged with process owners to communicate the scope and approach of review prior to the commencement of each audit assignment. Audit work programs have been developed based on understanding of the operations obtained from interviews with management and review of policy documents. Through execution of the audit work programs, the internal control function assessed the design effectiveness and operating effectiveness of the key controls associated with the process under review.

Findings and recommendations on internal control deficiencies were well communicated with management such that action plans were developed by management to address the issues identified. Post-audit reviews were also scheduled to ensure the action plans of previously identified internal audit issues were executed as designed. Key findings of each internal control review assignment were reported to and reviewed by the audit committee quarterly.

In respect of the year ended 31 March 2009, the Board, through the audit committee, reviewed the effectiveness of the system of internal control of the Group and was satisfied that the Group had fully complied with the Code Provision on internal controls as set forth in the CG Code. The review covers all material controls, including financial, operational and compliance controls and risk management functions.

With regard to the revised Listing Rules to review the adequacy of resources and qualification of staffing of accounting and financial reporting function which came to effect on 1 January 2009, the Group has in place a comprehensive annual budgeting system to review existing staff headcount, an effective recruitment process to select appropriate qualified personnel with emphasis on educational background, prior work experience and past accomplishments, an annual performance appraisal system to assess staff performance and competency based on both quantitative and qualitative key performance indicators as well as a training and development programme to support the drive for the functional excellence.

In respect of the year ended 31 March 2009, the Board, through the audit committee, reviewed the adequacy of the resources and qualification of staffing of accounting and financial reporting function and considered that the staffing is adequate and competent in their roles and responsibilities in internal control.

C. Accountability and audit (continued)

C.3. Audit committee

Principle

The board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors. The audit committee established by an issuer pursuant to the Listing Rules should have clear terms of reference.

Code ref.	Code provisions	Compliance	Remarks
C.3.1	Minutes of audit committee meetings should be kept and sent to all members for comment and records within reasonable time.	✓	Pursuant to its terms of reference, minutes of audit committee meetings were kept and sent to all its committee members within reasonable time.
C.3.2	A former partner of the issuer's existing audit firm should not act as a member of the audit committee.	✓	All the current audit committee members are not former partner of the Company's existing auditing firm.
C.3.3	The terms of reference of audit committee should include the duties in the Code Provision C.3.3 in the CG Code.	✓	The terms of reference of the audit committee, which have included the role and authority delegated to it by the Board and those set out in the Code Provision C.3.3, are available at the Group's website and on request.
C.3.4	Audit committee should make available its terms of reference.	✓	
C.3.5	In case of any disagreement between board and audit committee on selection, appointment, resignation or dismissal of external auditors, the issuer should state recommendation and reasons for difference in view in corporate governance report.	✓	The audit committee recommended, and the Board agreed, that the Company shall re-appoint PwC to be the Company's auditors and the recommendation will be put forward for the approval of shareholders at the AGM 2009.
C.3.6	Sufficient resources should be provided to the audit committee to discharge its duties.	✓	Pursuant to its terms of reference, the audit committee should be provided with sufficient resources, including advice of professional firms, to discharge its duties, if necessary.

C. Accountability and audit (continued)

C.3. Audit committee (continued)

The Company established an audit committee with written terms of reference on 13 October 1999. The current audit committee members are Professor CHAN, Yuk Shee who presides as chairman, Dr. LEUNG, Kwok Fai, Thomas, Ms. TAM, Wai Chu, Maria and Ms. KI, Man Fung, Leonie, all of whom are INEDs and at least one of whom possess the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The audit committee is responsible for, inter alia, reviewing and monitoring the relationship between the Company and its auditors, reviewing the financial information of the Company and overseeing the Company's financial controls, internal control and risk management systems. The audit committee members have met with external auditors and discussed the general scope of the audit works and reviewed the audit reports and the interim and annual accounts of the Group. During the year, the audit committee met privately with the external auditors, without the presence of the executive Directors of the Company, to discuss matters or issues arising from the audit and any other matters the external auditors may wish to raise.

There were five audit committee meetings held during the year ended 31 March 2009 and the chairman and CEO, CFO, other members of the management team and the external auditors of the Company were invited, as and when necessary, to join the discussion of the audit committee meetings. Particulars of the Board committee members' individual attendance and other details of the meetings were set out in the Meeting Attendance. The following is a summary of works performed by the audit committee during the year:

(i) review the annual budget and long-term plan of the Group and their execution plans;

(ii) review the Group's performance against budget on a quarterly basis;

(iii) review the Group's annual and interim results statements, unaudited operation update for the three months ended 31 December 2008 and the related result announcements and documents including the external auditors' reports and the letter of representation by the Company and other matters or issues raised by the external auditors;

(iv) review the development in accounting standards and its effects on the Group;

(v) review the independence of the external auditors and engagement of external auditors for annual audit and interim review and audit and audit related services;

(vi) review the amendments to the policy on provision of audit and non-audit services by external auditors of the Company and semi-annual summary of audit and non-audit services by the external auditors for annual and interim period;

(vii) review the relevant product policies of the Group;

(viii) review the foreign currency and treasury policy of the Group and paper for going concern for the relevant period;

(ix) review the proposals and engagement for provision of consulting services for enterprises risk management by external consultants; and

(x) review enterprise risk assessment report by Internal Control Consultants, quarterly internal audit reports and update by the internal auditors and Internal Control Consultants respectively in respect of the Group's internal control system and procedures (including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget), its effectiveness and the regular updates on key risk areas of financial control and post audit review.

C. Accountability and audit (continued)

C.3. Audit committee (continued)

All issues raised by the audit committee were addressed and/or dealt with by the relevant management of the Company and the works, findings and recommendations of the audit committee were reported to the Board regularly.

During the year ended 31 March 2009, no issues brought to the attention of management and the Board was of sufficient importance to require disclosure in the annual report under the Listing Rules.

During the year ended 31 March 2009, the fees paid to the Company's external auditors amounted to approximately HK$2,852,000, comprising the audit fees of HK$2,161,000 and non-audit fees of HK$691,000 respectively. The non-audit services consist mainly of tax advisory services and PRC review.

D. Delegation by the Board

D.1. Management functions

Principle

An issuer should have a formal schedule of matters specifically reserved to the board for its decision. The board should give clear directions to management as to the matters that must be approved by the board before decisions are made on behalf of the issuer.

Code ref.	Code provisions	Compliance	Remarks
D.1.1	Board must give clear directions as to powers of management, particularly on delegation to management and matters required prior approval from the board.	✓	Please refer to the section below.
D.1.2	Company should formalize functions reserved to the board and functions delegated to management.	✓	

Pursuant to the terms of reference of the Board and management, the duties and types of decision to be taken by the Board include those relating to:–

(i) set the objectives of the Board;

(ii) establish the strategic direction of the Company;

(iii) set the objectives of the management;

(iv) monitor the performance of the management;

(v) oversee the management of the Company's relationships with stakeholders, such as customers, the community, interest groups and others who have a legitimate interest in the responsible conduct of the Group's business;

(vi) ensure that a framework of prudent and effective controls is in place and to assess and manage risks of the Group;

(vii) set the Company's values and standards;

(viii) determine any matters involving a conflict of interest for a substantial shareholder or a Director;

(ix) determine material acquisitions and disposals of assets, investments, capitals projects, authority levels, major treasury policies, risk management policies and key human resources issues;

D. Delegation by the Board (continued)

D.1. Management functions (continued)

(x) through audit committee of the Company, establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors;

(xi) ensure the Company maintain sound and effective internal controls to safeguard the shareholders' investment and the Company's assets. Directors should at least annually conduct review of the effectiveness of the system of internal control of the Group and report to shareholders on the relevant findings in corporate governance report of the Company. The review shall cover all material controls, including financial, operational and compliance controls and risk management functions;

(xii) consider and determine issues which are the responsibility of the Board pursuant to the Company's memorandum and Articles of Association and relevant laws and regulations in force from time to time under which the Group is governed; and

(xiii) delegate its power and authority to the relevant committee(s) of the Board in respect of the management and operation of the Company as and when appropriate.

The management, consisting of CEO, the executive committee of the Board along with other senior executives, shall be responsible for the implementation of the strategy and direction as determined by the Board from time to time. In doing so, they must apply business principles and ethics which are consistent with those expected by the Board and shareholders of the Company.

The Board delegates management and administrative functions to the management for their conduct of the day-to-day operations of the Company, effectively, legally and ethically. This requires that they are aware of the material risks and issues faced by the Company and that they carefully supervise the Company's financial reporting systems and processes.

Responsibilities of the management include those relating to:–

(i) provide a comprehensive, formal and tailored Induction upon the appointment of Directors, and subsequently such briefing and professional development as is necessary, to ensure that the Directors have a proper understanding of the operations and business of the Company;

(ii) develop business and execution proposals in line with the objectives of, and with risks acceptable to, the Company for approval by the executive committee on behalf of the Board;

(iii) prepare annual budget, long-term plan and implementation plan for review by the executive committee and approval by audit committee and/or the Board;

(iv) provide in a timely manner with appropriate information in such form and of such quality as will enable the Directors to monitor the performance of the Company and make informed decisions;

(v) develop and implement internal control procedures;

(vi) develop the Group's staff policy;

(vii) prepare materials and papers and draft resolutions on matters to be considered by the general meeting of shareholders or Board and present materials to the committees of the Board;

D. Delegation by the Board (continued)

D.1. Management functions (continued)

(viii) manage risk in accordance with the direction of the Board from time to time;

(ix) provide organizational and technical support of the activities of the Group;

(x) determine the technical, financial, economic and pricing policies of the Group;

(xi) determine policy and supervise improvements to accounting and administrative methods and adopt international accounting standards for the Group and its branch offices;

(xii) determine the methods for planning, budgeting and financial control for the Group and its overseas offices;

(xiii) determine security policies for the Group and its branch offices;

(xiv) determine the procedure for allocating assets to Group companies and withdrawal of allocated assets from Group companies;

(xv) determine the number of members of the collective executive bodies of overseas offices, appoint them, terminate their authority early and approve the regulations on overseas offices' collective executive bodies;

(xvi) preliminarily approve candidates for the position of heads, deputy heads of and chief accountants of overseas and representative offices and relieve them of their duty;

(xvii) approve overseas offices' budgets and amend such documents;

(xviii) analyze the results of performance of the Group and compare against the budget and take appropriate actions to ensure performance in accordance with budget;

(xix) report to the executive committee and the audit committee on the results of the performance of the Group;

(xx) approve internal documents regulating matters within the authority of the management; and

(xxi) handle such other matters that are delegated by the Board from time to time.

Executive committee

Being part of the management team, the executive committee had meetings on a regular basis. The members of the executive committee are Dr. KWOK, Siu Ming, Simon, who presides as the chairman, Dr. KWOK LAW, Kwai Chun, Eleanor and Mr. LOOK, Guy. Particulars of the executive committee members' individual attendance and other details of the meetings were set out in the Meeting Attendance.

Management meetings

Executive committee and the management team meet regularly together to review, discuss and make decisions on financial and operational matters. During the year ended 31 March 2009, eight management meetings were held, and chaired by the chairman and CEO of the Company or delegate in his absence, which enhanced and strengthened departmental communications, coordination and co-operation within the Group.

D. Delegation by the Board (continued)

D.2. Board committees

Principle

Board committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.

Code ref.	Code provisions	Compliance	Remarks
D.2.1	Board committees should have clear terms of reference to enable such committees to discharge their functions properly.	✓	Please refer to terms of reference of the audit committee, compensation committee and nomination committee of the Company. Board committees report their findings, decisions and recommendations to the Board at the Board meetings.
D.2.2	Terms of reference of board committees should require such committees to report their decisions to the board.	✓	

E. Communication with shareholders

E.1. Effective communication

Principle

The board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

Code ref.	Code provisions	Compliance	Remarks
E.1.1	A separate resolution at a general meeting on each substantially separate issue should be proposed by the chairman of that meeting.	✓	Separate resolutions are proposed at the AGM on each substantially separate issue, including election of individual Directors.

E. Communication with shareholders (continued)

E.1. Effective communication (continued)

Code ref.	Code provisions	Compliance	Remarks
E.1.2	Chairman of the board should attend AGM and arrange for chairmen of audit, remuneration and nomination committees to attend and be available to answer questions.	✓	The chairman of the Board attended the AGM held on 28 August 2008 ("AGM 2008") and the chairmen or another member of the relevant committee were available to answer question at the AGM 2008. The Company establishes different communication channels with shareholders and investors, including (i) printed copies of corporate communications (including but not limited to annual report, interim report, notice of meeting, circular and proxy form) required under the Listing Rules, and shareholders can select to receive such documents by electronic means; (ii) updated and key information of the Group is available on the Group's website; (iii) the Company's website offers a communication channel between the Group and its shareholders and investors; (iv) the AGM also provides a forum for shareholders to raise comments and exchange views with the Board; (v) regular press and analysts' conference are set up from time to time to update interested parties on the performances and development plans of the Group; (vi) the Company's branch share registrar deals with shareholders for all share registration and related matters; and (vii) corporate communications department of the Company handles enquiries from shareholders and investors generally.
E.1.3	The issuer should arrange for the notice to shareholders to be sent in the case of annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings.	Please refer to remarks	To ensure compliance of the changes of the Listing Rules effective 1 January 2009 which require notice to shareholders shall be sent at least 20 clear business days before the meeting in the case of annual general meetings and at least 10 clear business days in the case of all other general meetings, corresponding amendments to the Articles of Association shall be proposed and considered in the AGM 2009.

E. Communication with shareholders (continued)

E.1. Effective communication (continued)

Investor relations

The Group is committed to fostering productive and long-term relationships with shareholders and investors through open and prompt communication. Various channels have been established to facilitate transparency. Key information on the Group, which is continuously updated (including a separate Corporate Governance section), results reports, webcasts of results presentations and announcements on quarterly sales update are available on our corporate website (www.sasa.com). In addition to the Annual General Meeting in which shareholders can put questions to Directors about the Group's performance, press and analysts' conferences are held at least twice a year subsequent to the interim and final results announcements. At these conferences, our management team explains the Group's business performance and future direction. The Group also seeks opportunities to communicate its strategies to investors and the public through active participation at investors' conferences, regular meetings with fund managers and potential investors, as well as through press interviews and timely press releases. Other than individual meetings with analysts, institutional investors and fund managers, the Group also participated in various road shows and conferences during the year. These are summarised as follows:

Date	Event	Organiser	Location
March 2009	Asian Investment Conference	Credit Suisse	Hong Kong
March 2009	Investors luncheon	BNP Paribas	Hong Kong
February 2009	Investors luncheon	Piper Jaffray	Hong Kong
January 2009	Consumer Corporate Day	BNP Paribas	Hong Kong
January 2009	Greater China Conference	UBS	Shanghai
November 2008	Road show	UOB Kay Hian	Hong Kong & Singapore
October 2008	Hong Kong/China Access Day	CLSA	Hong Kong
October 2008	Greater China Investor Conference	Citigroup	Macau
September 2008	Road show	DBS Vickers	Boston & Chicago
September 2008	Annual Asia Pacific & Emerging Markets Equity Conference	JP Morgan	New York
July 2008	Daiwa HKEx Investment Seminar	Daiwa Securities SMBC	Tokyo
June 2008	Road show	Lehman Brothers	Hong Kong & Singapore
May 2008	Road show	Lehman Brothers	New York & San Francisco
April 2008	Greater China Consumer Access Day	CLSA	London

E. Communication with shareholders (continued)

E.1. Effective communication (continued)

Investor relations (continued)

The last shareholders' meeting was the AGM 2008 which was held at the Island Shangri-la Hotel Hong Kong for approval of, among others, the general mandates to issue and purchase shares, the re-election of retiring Directors and Professor CHAN, Yuk Shee and Dr. LEUNG, Kwok Fai, Thomas, by their re-appointments, had served the Company for more than nine years as INEDs. Particulars of major items considered in the AGM 2008 were set out in the circular dated 11 July 2008 ("Circular 2008"). The proposed ordinary resolutions were passed by simple majority of the votes on show of hands in the AGM 2008.

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the total issued share capital of the Company was held by the public as at the date of this report.

E.2. Voting by poll

Principle

The issuer should ensure that the shareholders are familiar with the detailed procedures for conducting a poll.

Code ref.	Code provisions	Compliance	Remarks
E.2.1	Chairman of the meeting should at the commencement of the meeting ensure that an explanation is provided of the detailed procedures for conducting a poll and then answer any questions from shareholders regarding voting by way of a poll.	✓	In the AGM 2008, the chairman of the Board had duly performed the E.2.2 and E.2.3 of the Code Provisions (effective before 1 January 2009) and Abacus Share Registrars Limited, the branch share registrar of the Company, was appointed as scrutineers to monitor and count the votes casted in the AGM 2008. To ensure compliance of the changes of the Listing Rules effective 1 January 2009 which require all resolutions at general meetings of the Company shall be decided by poll, corresponding amendments to the Articles of Association shall be proposed and considered in the AGM 2009.

Beyond the Code Provisions

With a view to continuously improving its corporate governance, transparency and accountability to its shareholders, the Group goes beyond the Code Provisions in the following aspects:–

(a) the Company has arranged appropriate liability insurance cover, which is reviewed on an annual basis, for liabilities arising out of activities from being Directors and officers of the Group as set out in A.1.9 of the CG Code;

(b) the chairman of the Board has performed duties and responsibilities set out in A.2.4 to A.2.6, A.2.8 and A.2.9 of the CG Code, including to ensure the Board works effectively and discharges its responsibilities, all key and appropriate issues are discussed by the Board in a timely manner etc., which were incorporated into the terms of reference for chairman;

(c) the INEDs appointed represent more than one-third of the Board as set out in A.3.2 of the CG Code. The Company also maintains, pursuant to A.3.3 of the CG Code, on its website an updated list of its Directors together with their biographical information, identifies whether they are INEDs and posts on its website the terms of reference of the Board committees so as to allow the shareholders to understand the role of the respective INEDs who serve in the relevant Board committees;

(d) Professor CHAN, Yuk Shee and Dr. LEUNG, Kwok Fai, Thomas had been appointed as INEDs since 1999 and 2000 respectively. Pursuant to A.4.3 of the CG Code, their re-appointments as INEDs serving more than nine years were approved by the shareholders in separate resolutions on 25 August 2008. The Board also set out to shareholders in the notice in annual report 2007/2008 and the Circular 2008 accompanying a resolution to elect such INEDs and the reason for each INED continues to be independent and why he should be re-elected;

(e) Pursuant to A.4.4 to A.4.6 of the CG Code, the Company established a nomination committee on 31 March 2005 in which two-third of its committee members are INEDs. The terms of reference of nomination committee adopted by the Board on 31 March 2005 deal clearly with the Board committee's authority and duties and incorporated all the duties set out in A.4.5 (a) to (d) of the CG Code. The terms of reference of the nomination committee with its role and authority delegated by the Board is made available on the Company's website and on request;

(f) Pursuant to A.5.6 and A.5.7 of the CG Code, NEDs, as equal Board members, have given the Board and Board committees on which they serve such as the audit, remuneration or nomination committees the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. NEDs had made constructive and positive contribution to the development of the Group's strategy and policies through independent, constructive and informed comments and feedbacks. There was satisfactory attendance at Board and Board committee meetings which was set out in the Meeting Attendance. All Directors attended annual general meeting on 28 August 2008 which they developed a balanced understanding of the views of the shareholders;

(g) Pursuant to C.3.7 of the CG Code, the terms of reference of the audit committee sets out that the audit committee shall act as the key representative body for overseeing the Company's relation with the external auditor. For the purpose of achieving and maintaining high standards with regard to behaviour at work and in all its working practices, employee(s) may, in confidence, report serious concerns about malpractices or illegal acts that he/she becomes aware of pursuant to the whistle-blowing policy and procedure for the Group approved by the Board ("Whistle-blowing Policy"). The audit committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action pursuant to the Whistle-blowing Policy; and

(h) Pursuant to D.1.3 of the CG Code, disclosure on division of responsibility between the Board and management was clearly set out in the related terms of reference, as well as section A. – Directors in this report.

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report together with the audited consolidated financial statements of the Company and its subsidiaries ("Group") for the year ended 31 March 2009.

Principal activities and segment analysis of operations

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the retailing and wholesaling of a wide range of cosmetic brand products.

An analysis of the Group's turnover and results for the year by business segments and geographical areas of operation is set out in Note 5 to the consolidated financial statements.

Results and appropriations

The results for the year are set out in the consolidated income statement on page 89.

An interim dividend of 3.0 HK cents (2008: 3.0 HK cents) per share and a special dividend of 3.0 HK cents (2008: 3.0 HK cents) per share were paid on 24 December 2008. The directors recommend the payment of a final dividend of 5.0 HK cents (2008: 5.0 HK cents) per share and a special dividend of 12.0 HK cents (2008: 10.0 HK cents) per share. Total dividends paid and declared in respect of the year ended 31 March 2009 amounted to HK$317,691,000.

Financial summary

A summary of the results, assets and liabilities of the Group for the last five financial years is set out as follows:

	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
Turnover					
Continuing operations	**3,608,990**	3,221,429	2,676,816	2,425,314	2,122,215
Discontinued operations	**–**	231,658	212,421	195,272	191,491
	3,608,990	3,453,087	2,889,237	2,620,586	2,313,706
Operating profit/(loss)					
Continuing operations	**370,115**	322,733	247,474	215,661	236,748
Discontinued operations	**–**	3,962	(186)	(10,569)	(3,489)
	370,115	326,695	247,288	205,092	233,259
Profit/(loss) before taxation					
Continuing operations	**383,311**	347,555	270,557	232,803	249,664
Discontinued operations	**–**	5,741	947	(10,193)	(4,048)
	383,311	353,296	271,504	222,610	245,616
Gain on disposal of subsidiaries	**–**	67,034	–	–	–

Financial summary (continued)

	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
Income tax expenses					
Continuing operations	**(67,360)**	(71,302)	(50,030)	(39,196)	(42,050)
Discontinued operations	**–**	(815)	319	1,757	(1,510)
	(67,360)	(72,117)	(49,711)	(37,439)	(43,560)
Profit for the year					
Continuing operations	**315,951**	276,253	220,527	193,607	207,614
Discontinued operations	**–**	71,960	1,266	(8,436)	(5,558)
	315,951	348,213	221,793	185,171	202,056
Total assets	**1,415,182**	1,443,124	1,422,580	1,371,640	1,366,471
Total liabilities	**(292,433)**	(334,631)	(471,990)	(457,813)	(456,425)
Net assets	**1,122,749**	1,108,493	950,590	913,827	910,046
Return on equity	**28.14%**	31.41%	23.33%	20.26%	22.20%
Working capital ratio	**4.31**	3.76	2.64	2.61	2.63
Stock turnover days	**84**	94	90	89	101

Major customers and suppliers

The aggregate percentage of sales and purchases attributable to the Group's five largest customers and suppliers respectively are less than 30% of the total sales and purchases for the year.

Reserves

Details of the movements in reserves of the Group and the Company during the year are set out in Note 27 to the consolidated financial statements.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group are set out in Note 15 to the consolidated financial statements.

Share capital

Details of the movements in share capital of the Company during the year are set out in Note 26 to the consolidated financial statements.

Share options

Share option schemes

(I) 1997 Share Option Scheme

The Company adopted the 1997 share option scheme ("1997 Share Option Scheme") on 22 May 1997. As at 31 March 2009, there was no outstanding share option under the 1997 Share Option Scheme. The operation of the 1997 Share Option Scheme was terminated on 29 August 2002 (such that no further options could be offered under the 1997 Share Option Scheme) but the provisions of the 1997 Share Option Scheme continued to govern options granted under this scheme up to and including 28 August 2002. Share options were neither granted, exercised nor lapsed during the relevant period and there are no more shares available for issue under the 1997 Share Option Scheme. Please refer to the annual report of the Company for the year ended 31 March 2008 for details and latest movements of the share options under the 1997 Share Option Scheme for the relevant period.

(II) 2002 Share Option Scheme

A summary of the 2002 Share Option Scheme is set out below:–

(a) Purpose

To provide Participants (as defined below) with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

(b) Participants

Any directors (including executive, non-executive and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the Board or a duly authorised committee thereof considers, in its sole discretion, have contributed to the Group.

(c) Total number of shares available for issue

(i) The maximum number of shares in respect of which options may be granted under the 2002 Share Option Scheme shall not (when aggregated with any shares subject to any other share option scheme(s) of the Company) exceed 126,830,117, being 10% of the issued share capital of the Company on 29 August 2002, the date on which the 2002 Share Option Scheme was adopted ("Scheme Mandate Limit"). Options lapsed in accordance with the terms of the 2002 Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

(ii) The Scheme Mandate Limit may be renewed at any time subject to prior shareholders' approval but in any event shall not exceed 10% of the issued share capital of the Company as at the date of approval of the renewal of the Scheme Mandate Limit. Options previously granted under the 2002 Share Option Scheme or any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the refreshed Scheme Mandate Limit.

(iii) The maximum number of shares in respect of which options may be granted to grantees under the 2002 Share Option Scheme and other share option schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

(iv) As at 25 June 2009, the total number of shares available for issue under the 2002 Share Option Scheme was 137,821,688 shares, which represented 9.98% of the total issued share capital of the Company at that date.

Share options (continued)

Share option schemes (continued)

(II) 2002 Share Option Scheme (continued)

(d) Maximum entitlement of each Participant

The maximum number of shares in respect of which options may be granted under the 2002 Share Option Scheme to a specifically identified single grantee shall not (when aggregated with any shares subject to any other share option scheme(s) of the Company) in any 12-month period exceed 1% of the shares of the Company in issue ("Individual Limit").

The Company may grant options beyond the Individual Limit to a Participant if (i) the Company has first sent a circular to shareholders containing the identity of the Participant in question, the number and terms of the options granted and to be granted and other relevant information as required under the Listing Rules; and (ii) separate shareholder's approval has been obtained.

(e) Option Period

The period within which the shares must be taken up under an option shall be notified by the Board to each grantee at the time of making an offer which shall not expire later than 10 years from the date of grant of the relevant option.

(f) Minimum period for which an option must be held before it can be exercised

The minimum period, if any, for which an option must be held before it can be exercised shall be determined by the Board at its absolute discretion. The 2002 Share Option Scheme itself does not specify any minimum holding period.

(g) Consideration on acceptance of the option

HK$1.00 is required to be paid by the grantee to the Company on acceptance of the option offer.

(h) Basis of determining the subscription price

The subscription price shall be determined by the Board at its absolute discretion but in any event shall not be less than the higher of:–

(i) the closing price of the shares of the Company as stated in the daily quotations sheets issued by The Stock Exchange on the date of grant;

(ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by The Stock Exchange for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a share.

Share options (continued)

Share option schemes (continued)

(II) *2002 Share Option Scheme* (continued)

(i) Remaining life of the 2002 Share Option Scheme

The 2002 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption and will expire on 29 August 2012.

Details of the share options granted under the 2002 Share Option Scheme and their movements during the year are set out below:–

							Number of Share Options				
Name	Date of grant	Subscription price per share (HK$)	Closing price of the shares immediately before the date on which the options were granted (HK$)	Exercisable period	Vesting period (from the date of grant)	*Closing price of the shares immediately before the date on which the options were exercised (HK$)	Outstanding as at 1 April 2008	Granted during the year	Exercised during the year	#Lapsed during the year	Outstanding as at 31 March 2009
Directors											
Mr. LOOK, Guy	26 May 2006	2.965	–	28 February 2007 to 25 May 2016	0.75 year	–	2,248,141	–	–	–	2,248,141
				29 February 2008 to 25 May 2016	1.75 years	–	2,248,141	–	–	–	2,248,141
				28 February 2009 to 25 May 2016	2.75 years	–	2,248,140	–	–	–	2,248,140
				note (1)	note (1)	–	2,248,141	–	–	–	2,248,141
				note (1)	note (1)	–	2,248,141	–	–	–	2,248,141
				note (1)	note (1)	–	2,248,140	–	–	–	2,248,140
	2 March 2009	2.19	2.19	28 February 2010 to 1 March 2019	1 year	–	–	2,250,000	–	–	2,250,000
				28 February 2011 to 1 March 2019	2 years	–	–	2,250,000	–	–	2,250,000
				29 February 2012 to 1 March 2019	3 years	–	–	2,250,000	–	–	2,250,000
				note (2)	note (2)	–	–	2,250,000	–	–	2,250,000
				note (2)	note (2)	–	–	2,250,000	–	–	2,250,000
				note (2)	note (2)	–	–	2,250,000	–	–	2,250,000
Ms. TAM, Wai Chu, Maria	29 June 2004	3.00	–	29 June 2005 to 28 June 2014	1 year	–	1,000,000	–	–	–	1,000,000

Share options (continued)

Share option schemes (continued)

(II) 2002 Share Option Scheme (continued)

Name	Date of grant	Subscription price per share (HK$)	Closing price of the shares immediately before the date on which the options were granted (HK$)	Exercisable period	Vesting period (from the date of grant)	*Closing price of the shares immediately before the date on which the options were exercised (HK$)	Number of Share Options: Outstanding as at 1 April 2008	Granted during the year	Exercised during the year	#Lapsed during the year	Outstanding as at 31 March 2009
Employees Under Continuous Employment Contract	30 October 2003	1.68	–	30 October 2004 to 29 October 2013	1 year note (3)	3.34 (AVG)	250,703	–	(16,336)	–	234,367
	30 October 2003	1.68	–	30 October 2005 to 29 October 2013	2 years note (3)	3.41 (AVG)	1,078,011	–	(406,676)	–	671,335
	30 October 2003	1.68	–	30 October 2006 to 29 October 2013	3 years note (3)	3.32 (AVG)	1,971,643	–	(479,320)	–	1,492,323
	30 October 2003	1.68	–	note (4)	note (4)	3.35 (AVG)	824,230	–	(221,200)	(116,000)	487,030
	30 October 2003	1.68	–	note (4)	note (4)	3.29 (AVG)	944,303	–	(323,969)	(60,030)	560,304
	30 October 2003	1.68	–	30 October 2006 to 29 October 2013	3 years	3.24 (AVG)	3,021,482	–	(862,933)	(269,236)	1,889,313
	1 March 2004	2.85	–	14 January 2007 to 28 February 2014	3 years from date of employment	–	183,333	–	–	–	183,333
	1 March 2004	2.85	–	note (5)	note (5)	–	85,000	–	–	–	85,000
	3 March 2004	2.78	–	5 July 2007 to 2 March 2014	3 years from date of employment	–	333,333	–	–	–	333,333
	3 March 2004	2.78	–	note (6)	note (6)	–	140,000	–	–	–	140,000
	3 March 2004	2.78	–	note (6)	note (6)	–	302,000	–	–	–	302,000
	2 August 2004	3.12	–	28 July 2007 to 1 August 2014	3 years from date of employment	–	183,333	–	–	(183,333)	–
	2 August 2004	3.12	–	note (7)	note (7)	–	40,000	–	–	(40,000)	–
	2 August 2004	3.12	–	note (7)	note (7)	–	98,000	–	–	(98,000)	–
	1 December 2004	3.85	–	2 December 2004 to 30 November 2014	–	–	278,666	–	–	–	278,666
	1 December 2004	3.85	–	30 October 2005 to 30 November 2014	2 years from 20 October 2003	–	278,667	–	–	–	278,667
	1 December 2004	3.85	–	30 October 2006 to 30 November 2014	3 years from 20 October 2003	–	278,667	–	–	–	278,667
	1 December 2004	3.85	–	1 October 2007 to 30 November 2014	3 years from 1 October 2004		66,666	–	–	–	66,666
	1 December 2004	3.85	–	note (8)	note (8)	–	26,000	–	–	–	26,000
	1 December 2004	3.85	–	note (8)	note (8)	–	25,000	–	–	–	25,000
	22 December 2004	4.15	–	22 December 2007 to 21 December 2014	3 years from date of employment	–	183,333	–	–	–	183,333
	22 December 2004	4.15	–	note (9)	note (9)	–	32,000	–	–	–	32,000
							25,113,214	**13,500,000**	**(2,310,434)**	**(766,599)**	**35,536,181**

* *The weighted average closing price ("AVG") is shown where appropriate.*

There is no share option cancelled during the year.

Share options (continued)

Share option schemes (continued)

(II) *2002 Share Option Scheme* (continued)

Notes:

(1) The exercise of the share options is subject to certain performance targets that must be achieved by the director. The share options shall be exercised by the director not later than 25 May 2016.

(2) The exercise of the share options is subject to certain performance targets that must be achieved by the director. The share options shall be exercised by the director not later than 1 March 2019.

(3) On 30 October 2003, the Company granted share options to employees who had completed a minimum of 5 years of employment with the Group as at 30 September 2003 to subscribe for shares at an exercise price of HK$1.68 per share in order to reward them for contributing to the long-term success of the business of the Group and to encourage and motivate them to continue contributing to the success of the business of the Group.

(4) On 30 October 2003, the Company granted share options to employees of the Company who are of managerial level or above to subscribe for shares at an exercise price of HK$1.68 per share in order to encourage and motivate them to continue contributing to the success of the business of the Group. The exercise of the share options is subject to certain performance targets that must be achieved by the employees.

(5) The exercise of the share options is subject to certain performance targets that must be achieved by the employee. The share options shall be exercised by the employee not later than 28 February 2014.

(6) The exercise of the share options is subject to certain performance targets that must be achieved by the employee. The share options shall be exercised by the employee not later than 2 March 2014.

(7) The exercise of the share options is subject to certain performance targets that must be achieved by the employee. The share options shall be exercised by the employee not later than 1 August 2014.

(8) The exercise of the share options is subject to certain performance targets that must be achieved by the employee. The share options shall be exercised by the employee not later than 30 November 2014.

(9) The exercise of the share options is subject to certain performance targets that must be achieved by the employee. The share options shall be exercised by the employee not later than 21 December 2014.

The weighted average fair value of options granted during the year ended 31 March 2009 determined using the binominal lattice model, prepared by Watson Wyatt Hong Kong Limited, was HK$0.605 per option (2008: Nil). The significant inputs into the model were share price of HK$2.16 at the grant date, exercise price of HK$2.19, volatility of 45%, dividend yields of 6%, an expected option life of 6.6 years and on annual risk-free interest rate of 1.76%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last 6.6 years. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

The accounting policy adopted for the share options is described in Note 26 to the consolidated financial statements.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association ("Articles of Association") and there are no restrictions against such rights under the laws in the Cayman Islands.

Purchase, sale or redemption of shares

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Subsidiaries

Details of the Company's principal subsidiaries as at 31 March 2009 are set out in Note 31 to the consolidated financial statements.

Bank loans and overdrafts

As at 31 March 2009, the Group had neither bank loans nor overdrafts.

Capitalised interests

No interest was capitalised by the Group during the year.

Distributable reserves

As at 31 March 2009, the reserves of the Company available for distribution amounted to HK$736,964,000.

Donations

The Group made donations during the year totaling HK$2,445,000, details of which are set out in the "Corporate Social Responsibility" on page 32 of this annual report.

Directors and service contracts

The directors who held office during the year and up to the date of this report were:–

Executive directors
Dr. KWOK, Siu Ming, Simon, *J.P.* (Chairman and chief executive officer ("CEO"))
Dr. KWOK LAW, Kwai Chun, Eleanor (Vice-chairman)
Mr. LOOK, Guy (Chief financial officer)

Non-executive director
Mrs. LEE LOOK, Ngan Kwan, Christina

– term of directorship extended for a further term of three years commencing from 24 June 2007

Independent non-executive directors
Professor CHAN, Yuk Shee, *PhD, J.P.*

– term of directorship extended for a further term of three years commencing from 1 November 2008

Dr. LEUNG, Kwok Fai, Thomas, *PhD, BBS, J.P.*

– term of directorship extended for a further term of three years commencing from 1 January 2009

Ms. TAM, Wai Chu, Maria, *GBS, J.P.*

– term of directorship extended for a further term of three years commencing from 24 June 2007

Ms. KI, Man Fung, Leonie, *SBS, J.P.*

– appointed for a term of three years commencing from 15 December 2006

Directors and service contracts (continued)

In accordance with Article 116 of the Company's Articles of Association, Mrs. LEE LOOK, Ngan Kwan, Christina, Ms. TAM, Wai Chu, Maria and Ms. KI, Man Fung, Leonie will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the directors offering themselves for election or re-election at the forthcoming annual general meeting of the Company has entered into any service agreements with the Company which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

As required by the Listing Rules, the Company received a written confirmation from each independent non-executive directors of his/her independence to the Company and considers all of them to be independent.

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures

As at 31 March 2009, the interests or short positions of the directors and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were set out below:

(I) Long position in the shares, underlying shares and debentures of the Company

		Number of shares in the Company					
Name of director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate percentage of shareholding
Dr. KWOK, Siu Ming, Simon	Interests of a controlled corporation (Note)	–	–	898,506,400	–	898,506,400	65.05%
	Beneficial Owner	20,364,000	–	–	–	20,364,000	1.47%
Dr. KWOK LAW, Kwai Chun, Eleanor	Interests of a controlled corporation (Note)	–	–	898,506,400	–	898,506,400	65.05%
Mrs. LEE LOOK, Ngan Kwan, Christina	Interests of a controlled corporation	–	–	148,000	–	148,000	0.01%
	Beneficial Owner	1,000,000	–	–	–	1,000,000	0.07%
Professor CHAN, Yuk Shee	Beneficial Owner	1,150,000	–	–	–	1,150,000	0.08%

Note:

These shares are held as to 696,780,000 shares by Sunrise Height Incorporated and as to 201,726,400 shares by Green Ravine Limited. Both Sunrise Height Incorporated and Green Ravine Limited are owned as to 50% each by Dr. KWOK, Siu Ming, Simon and Dr. KWOK LAW, Kwai Chun, Eleanor.

Details of the interests of directors and chief executive in the derivatives interests in the Company for the year ended 31 March 2009 were disclosed under the section headed "Share options".

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures (continued)

(II) Long position in the shares, underlying shares and debentures of associated corporations

Dr. KWOK, Siu Ming, Simon and Dr. KWOK LAW, Kwai Chun, Eleanor are each taken to be interested in all the issued non-voting deferred shares ("Deferred Shares") of Base Sun Investment Limited, Matford Trading Limited, Sa Sa Cosmetic Company Limited and Sa Sa Investment Limited, all of which are wholly-owned subsidiaries of the Company. Dr. KWOK LAW, Kwai Chun, Eleanor is also taken to be interested in all the Deferred Shares of Vance Trading Limited, a wholly-owned subsidiary of the Company. Details of interests in the Deferred Shares were set out below:

Dr. KWOK, Siu Ming, Simon

		Number of Deferred Shares in the associated corporation					
Name of associated corporation	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Percentage of shareholding to all the Deferred Shares of associated corporation
Base Sun Investment Limited	Interests of a controlled corporation (Note 1)	–	–	2	–	2	100%
Matford Trading Limited	Beneficial Owner (Note 2)	3	–	–	–	3	50%
Sa Sa Cosmetic Company Limited	Beneficial Owner	1	–	–	–	1	50%
Sa Sa Investment Limited	Beneficial Owner	1	–	–	–	1	50%

Dr. KWOK LAW, Kwai Chun, Eleanor

		Number of Deferred Shares in the associated corporation					
Name of associated corporation	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Percentage of shareholding to all the Deferred Shares of associated corporation
Base Sun Investment Limited	Interests of a controlled corporation (Note 1)	–	–	2	–	2	100%
Matford Trading Limited	Beneficial Owner (Note 3)	3	–	–	–	3	50%
Sa Sa Cosmetic Company Limited	Beneficial Owner	1	–	–	–	1	50%
Sa Sa Investment Limited	Beneficial Owner	1	–	–	–	1	50%
Vance Trading Limited	Beneficial Owner	1,600,000	–	–	–	1,600,000	100%

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures (continued)

(II) Long position in the shares, underlying shares and debentures of associated corporations (continued)

Notes:

1. Dr. KWOK, Siu Ming, Simon and Dr. KWOK LAW, Kwai Chun, Eleanor hold 2 Deferred Shares in Base Sun Investment Limited through Link Capital Investment Limited and Modern Capital Investment Limited. Link Capital Investment Limited and Modern Capital Investment Limited are companies owned as to 50% each by Dr. KWOK, Siu Ming, Simon and Dr. KWOK LAW, Kwai Chun, Eleanor.

2. Dr. KWOK, Siu Ming, Simon holds 3 Deferred Shares in Matford Trading Limited through Mr. YUNG, Leung Wai who acts as a nominee shareholder.

3. Dr. KWOK LAW, Kwai Chun, Eleanor holds 3 Deferred Shares in Matford Trading Limited through Ms. KWOK, Lai Yee, Mable who acts as a nominee shareholder.

Save as disclosed above, no directors or chief executives have any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' benefits from rights to acquire shares or debentures

Save as disclosed under the section headed the "Share options", at no time during the year was the Company, its holding company or its subsidiaries or a subsidiary of the Company's holding company, a party to any arrangements which enabled the directors of the Company (including their spouses or children under 18 years of age), to acquire benefits by means of acquisition of shares in or debenture of the Company or any other body corporate.

Interests and short positions in shares and underlying shares of shareholders

So far as is known to any director or chief executives of the Company, as at 31 March 2009, shareholders, other than a director or chief executive, who had interests and short positions in the shares and underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions), or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO were as follows:

Long position of substantial shareholders in the shares of the Company

Name of company	Capacity	No. of shares held	Approximate percentage of shareholding
Sunrise Height Incorporated	Beneficial owner	696,780,000 (Note)	50.45%
Green Ravine Limited	Beneficial owner	201,726,400 (Note)	14.60%

Note: Both Sunrise Height Incorporated and Green Ravine Limited are owned as to 50% each by Dr. KWOK, Siu Ming, Simon and Dr. KWOK LAW, Kwai Chun, Eleanor.

Save as disclosed above, the Company has not been notified by any person (other than the directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions), or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

Contracts of significance

No contracts of significance between the Group and its controlling shareholders or its subsidiaries and in which any director of the Company is or was materially interested, either directly or indirectly, subsisting during or at the end of the year.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Connected transactions

During the year, there is no connected transaction or continuing connected transaction that is not exempted under the Listing Rules.

Public float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the total issued share capital of the Company was held by the public as at the date of this report.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

By Order of the Board
Kwok Siu Ming, Simon
Chairman and CEO

Hong Kong, 25 June 2009

INDEPENDENT AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

TO THE SHAREHOLDERS OF
SA SA INTERNATIONAL HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sa Sa International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 89 to 140, which comprise the consolidated and company balance sheets as at 31 March 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 June 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Continuing operations			
Turnover	5	**3,608,990**	3,221,429
Cost of sales		**(2,032,124)**	(1,831,949)
Gross profit		**1,576,866**	1,389,480
Other income	5	**26,151**	19,680
Selling and distribution costs		**(1,064,314)**	(945,026)
Administrative expenses		**(170,581)**	(145,169)
Other net gains	6	**1,993**	3,768
Operating profit		**370,115**	322,733
Interest income		**13,196**	24,822
Profit before income tax	7	**383,311**	347,555
Income tax expense	10	**(67,360)**	(71,302)
Profit for the year from continuing operations		**315,951**	276,253
Discontinued operations			
Profit for the year from discontinued operations	14	**–**	71,960
Profit for the year		**315,951**	348,213
Earnings per share for profit for the year from continuing operations (expressed in HK cents per share)	12		
Basic		**22.9**	20.1
Diluted		**22.9**	20.1
Earnings per share for profit for the year from discontinued operations (expressed in HK cents per share)	12		
Basic		**–**	5.2
Diluted		**–**	5.2
Dividends	13	**317,691**	289,566

The notes on pages 95 to 140 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**114,774**	109,476
Leasehold land	16	**27,964**	28,760
Investment property	17	**10,000**	11,500
Rental deposits and other assets	19	**63,885**	69,995
Deferred income tax assets	20	**2,657**	2,625
		219,280	222,356
Current assets			
Inventories	21	**468,670**	470,543
Trade receivables	22	**25,280**	28,265
Other receivables, deposits and prepayments		**81,456**	70,317
Bank deposits over three months to maturity	23	**35,863**	227,262
Cash and cash equivalents	23	**584,633**	424,381
		1,195,902	1,220,768
LIABILITIES			
Current liabilities			
Trade and bills payables	24	**144,475**	178,458
Other payables and accruals		**111,397**	113,965
Income tax payable		**21,851**	32,608
		277,723	325,031
Net current assets		**918,179**	895,737
Total assets less current liabilities		**1,137,459**	1,118,093
Non-current liabilities			
Retirement benefit obligations	25	**4,193**	4,629
Deferred income tax liabilities	20	**1,256**	1,025
Other payables		**9,261**	3,946
		14,710	9,600
Net assets		**1,122,749**	1,108,493

	Note	**2009** **HK$'000**	2008 HK$'000
EQUITY			
Capital and reserves			
Share capital	26	**138,125**	137,894
Reserves	27	**749,809**	763,651
Proposed dividends	27	**234,815**	206,948
Total equity		**1,122,749**	1,108,493

On behalf of the Board

KWOK Siu Ming, Simon
Director

KWOK LAW Kwai Chun, Eleanor
Director

The notes on pages 95 to 140 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Investments in and amounts due from subsidiaries	18	**546,965**	572,437
Other assets	19	**750**	750
		547,715	573,187
Current assets			
Other receivables, deposits and prepayments		**691**	2,339
Bank deposits over three months to maturity	23	**–**	189,466
Cash and cash equivalents	23	**361,555**	119,281
		362,246	311,086
LIABILITIES			
Current liabilities			
Other payables and accruals		**5,599**	461
Net current assets		**356,647**	310,625
Total assets less current liabilities		**904,362**	883,812
Non-current liabilities			
Amounts due to subsidiaries	18	**–**	11
Net assets		**904,362**	883,801
EQUITY			
Capital and reserves			
Share capital	26	**138,125**	137,894
Reserves	27	**531,422**	538,959
Proposed dividends	27	**234,815**	206,948
Total equity		**904,362**	883,801

On behalf of the Board

KWOK Siu Ming, Simon
Director

KWOK LAW Kwai Chun, Eleanor
Director

The notes on pages 95 to 140 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Cash generated from operations	28(a)	**412,113**	392,098
Hong Kong profits tax paid		**(69,620)**	(58,521)
Overseas tax paid		**(7,995)**	(5,257)
Net cash generated from operating activities		**334,498**	328,320
Cash flows from investing activities			
Purchase of property, plant and equipment		**(75,069)**	(58,991)
Proceeds from disposal of property, plant and equipment		**1,675**	527
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	28(b)	**–**	(133,434)
Decrease/(increase) in bank deposits over three months to maturity		**191,399**	(101,400)
Interest received		**9,582**	27,275
Net cash generated from/(used in) investing activities		**127,587**	(266,023)
Cash flows from financing activities			
Proceeds from shares issued upon exercise of options		**3,881**	17,433
Dividends paid		**(290,050)**	(233,881)
Net cash used in financing activities		**(286,169)**	(216,448)
Net increase/(decrease) in cash and cash equivalents		**175,916**	(154,151)
Cash and cash equivalents at beginning of year		**424,381**	569,985
Effect of foreign exchange rate changes		**(15,664)**	8,547
Cash and cash equivalents at end of year		**584,633**	424,381

The notes on pages 95 to 140 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2009

	Note	Share capital HK$'000	Reserves HK$'000	Total HK$'000
Balance at 1 April 2007		136,862	813,728	950,590
Profit for the year		–	348,213	348,213
Depreciation transfer on buildings, net of tax		–	133	133
Currency translation differences		–	11,022	11,022
Total recognised income for the year		–	359,368	359,368
Employee share option scheme:				
Value of employee services		–	3,641	3,641
Proceeds from shares issued upon exercise of options	26(a) & 27(a)	1,032	16,401	17,433
Release of exchange reserve upon disposal of subsidiaries		–	11,342	11,342
Dividends				
2006/2007 Final and Special dividends		–	(151,263)	(151,263)
2007/2008 Interim dividend		–	(41,309)	(41,309)
2007/2008 Special dividend		–	(41,309)	(41,309)
Balance at 31 March 2008		137,894	970,599	1,108,493
Balance at 1 April 2008		**137,894**	**970,599**	**1,108,493**
Profit for the year		**–**	**315,951**	**315,951**
Depreciation transfer on buildings, net of tax		**–**	**87**	**87**
Currency translation differences		**–**	**(17,556)**	**(17,556)**
Total recognised income for the year		**–**	**298,482**	**298,482**
Employee share option scheme:				
Value of employee services		**–**	**1,943**	**1,943**
Proceeds from shares issued upon exercise of options	26(a) & 27(a)	**231**	**3,650**	**3,881**
Dividends				
2007/2008 Final and Special dividends		**–**	**(207,174)**	**(207,174)**
2008/2009 Interim dividend		**–**	**(41,438)**	**(41,438)**
2008/2009 Special dividend		**–**	**(41,438)**	**(41,438)**
Balance at 31 March 2009		**138,125**	**984,624**	**1,122,749**

The notes on pages 95 to 140 are an integral part of these consolidated financial statements.

1 General information

Sa Sa International Holdings Limited ("Company") and its subsidiaries (together "Group") are principally engaged in the retailing and wholesaling of cosmetic products.

The Company is a limited liability company incorporated in Cayman Islands. The address of its registered office is P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands.

The Company has its listing on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

As at 31 March 2009, 50.45% of the total issued shares of the Company is owned by Sunrise Height Incorporated, a company incorporated in the British Virgin Islands. The directors regard Sunrise Height Incorporated as being the ultimate holding company of the Company. The ultimate controlling party of the Group is a private company owned 50.0% each by Mr. KWOK, Siu Ming, Simon and Mrs. KWOK LAW, Kwai Chun, Eleanor.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Director on 25 June 2009.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of Sa Sa International Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings and an investment property, 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 Note 4.

(i) Standard, amendment and interpretation effective in 2009 and do not have significant impact on the Group's financial statements

HKAS 39, 'Financial instruments: Recognition and measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, 'Financial instruments: Disclosures', introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008.

HK(IFRIC) – Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement.

(ii) Interpretation effective in 2009 but not relevant

The following interpretation to published standard is mandatory for accounting periods beginning on or after 1 April 2008 but is not relevant to the Group's operations:

HK(IFRIC) – Int 12, 'Service concession arrangements'.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2009 or later periods, but the Group has not early adopted them:

HKAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009).

HKAS 23 (Revised), 'Borrowing costs' (effective from 1 January 2009).

HKAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009).

HKAS 32 (Amendment), 'Financial instruments: Presentation', and HKAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009).

HKFRS 1 (Amendment), 'First time adoption of HKFRS' and HKAS 27 'Consolidated and separate financial statements' (effective from 1 July 2009).

HKFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009).

HKFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009).

HKFRS 8, 'Operating segments' replaces HKAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information' (effective from 1 January 2009).

HK(IFRIC) – Int 13, 'Customer loyalty programmes' (effective from 1 July 2008).

HK(IFRIC) – Int 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008).

■ HKICPA's improvements to HKFRS published in October 2008

HKAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009).

HKAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009).

HKAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009).

HKAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009).

HKAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009).

HKAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009).

HKFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to HKFRS 1, 'First-time adoption') (effective from 1 July 2009).

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

- HKICPA's improvements to HKFRS published in October 2008 (continued)

There are a number of minor amendments to HKFRS 7, 'Financial instruments: Disclosures', HKAS 8, 'Accounting policies, changes in accounting estimates and errors', HKAS 10, 'Events after the balance sheet date', HKAS 18, 'Revenue' and HKAS 34, 'Interim financial reporting' which are not addressed above. These amendments are unlikely to have an impact on the Group's financial statements and have therefore not been analysed in detail.

(iv) Interpretations and amendments to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2009 or later periods but are not relevant for the Group's operations:

HKAS 39 (Amendment) 'Financial instruments: Recognition and measurement' – 'Eligible hedged items' (effective from 1 July 2009).

HK(IFRIC) – Int 15, 'Agreements for construction of real estates' (effective from 1 January 2009).

HK(IFRIC) – Int 17, 'Distributions of non-cash assets to owners' (effective from 1 July 2009).

HK(IFRIC) – Int 18, 'Transfers of assets from customers' (effective for transfers on or after 1 July 2009).

- HKICPA's improvements to HKFRS published in October 2008

HKAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to HKAS 7, 'Statement of cash flows') (effective from 1 January 2009).

HKAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009).

HKAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009).

HKAS 28 (Amendment), 'Investments in associates' (and consequential amendments to HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009).

HKAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009).

HKAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to HKAS 32 and HKFRS 7) (effective from 1 January 2009).

HKAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009).

HKAS 40 (Amendment), 'Investment property' (and consequential amendments to HKAS 16) (effective from 1 January 2009).

HKAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iv) Interpretations and amendments to existing standards that are not yet effective and not relevant for the Group's operations (continued)

■ HKICPA's improvements to HKFRS published in October 2008 (continued)

The minor amendments to HKAS 20 'Accounting for government grants and disclosure of government assistance', HKAS 29, 'Financial reporting in hyperinflationary economies', HKAS 40, 'Investment property' and HKAS 41, 'Agriculture', which are not addressed above. These amendments will not have an impact on the Group's operations as described above.

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March.

Subsidiaries are entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company 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 asset transferred. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time of cash receipt for retail sale or the time of delivery for wholesale sale. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount.

Rental income and slide display rental income is recognised on a time proportion basis.

2 Summary of significant accounting policies (continued)

(d) Property, plant and equipment

Buildings comprise mainly offices. Buildings are stated at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the consolidated income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from fair value reserve to retained earnings.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over the unexpired periods of the leases or their estimated useful lives, whichever is shorter. The principal annual rates used for this purpose are:

Buildings	20 years
Leasehold improvements	15% to 33.3%
Equipment, furniture and fixtures	15% to 33.3%
Motor vehicles and vessel	20% to 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the consolidated income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

(e) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Receipts or payments made under operating leases (net of any incentives paid to lessees or received from the lessors) are recognised as income or expenses in the consolidated income statement on a straight-line basis over the lease periods.

(f) Investment property

Investment property, principally comprising freehold buildings, is held for long-term yields or for capital appreciation or both, and that is not occupied by companies in the consolidated group, is classified as investment property.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

2 Summary of significant accounting policies (continued)

(f) Investment property (continued)

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value, valued annually by external independent valuers and carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the consolidated income statement as part of the other net gains.

(g) Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life or assets that are not yet available for use 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 purpose 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 an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Financial assets

(i) Classification

The Group classifies its financial assets as loans and receivable. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade receivables' (Note 22), 'bank deposits over three months to maturity' (Note 23) and 'cash and cash equivalents' (Note 23) in the balance sheet.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the 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 investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note j.

(i) Inventories

Inventories comprise merchandise and are stated at the lower of cost and net realisable value.

Cost represents the invoiced cost of inventories. Costs are assigned to individual items on the weighted-average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 Summary of significant accounting policies (continued)

(j) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within selling and distribution costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and distribution costs in the consolidated income statement.

(k) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(l) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(m) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(n) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 Summary of significant accounting policies (continued)

(o) 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 dollars, which is the Company's functional and the Group'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. 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.

(iii) Group companies

The results and financial position of all the group entities (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 balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement 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 as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

(p) 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 balance sheet date.

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

(ii) Retirement benefit obligations

The Group operates a number of defined contribution and defined benefit retirement plans, the assets of which are generally held in separate trustee-administered funds. The retirement plans are generally funded by payments from employees and by the relevant group companies.

The Group contributes to defined contribution retirement plans which are available to all qualified employees in the Group, except for those participated in defined benefit retirement plan in Taiwan. Contributions to the schemes by the Group and employees are calculated at a percentage of employees' salaries or a fixed sum for each employee where appropriate.

2 Summary of significant accounting policies (continued)

(p) Employee benefits (continued)

(ii) Retirement benefit obligations (continued)

The Group's contributions to the defined contribution retirement plans are expensed as incurred and are reduced by contributions forfeited to those employees who leave the scheme prior to vesting fully in the contributions, where appropriate.

For defined benefit retirement plan, retirement costs are assessed using the projected unit credit method: the costs are charged to the income statement so as to spread the regular costs over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plan each year. The retirement obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses are recognised over the average remaining service lives of employees. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested.

The Group's contributions to defined benefit retirement plan are charged to the income statement in the period to which the contributions relate.

(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 are recognised over the average remaining service lives of employees. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested.

(iv) Share-based payment

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(v) 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.

2 Summary of significant accounting policies (continued)

(q) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(r) Contingent liabilities and contingent assets

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 and of the Company. 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.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group and of the Company.

A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset will be recognised.

(s) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by management who identifies, evaluates and mitigate financial risks in close co-operation with the Group's operating units. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Foreign exchange risk

The Group operates in various countries/locations and is exposed to foreign exchange risk against Hong Kong dollars arising from foreign exchange exposure. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operation. The Group has not entered into any derivative instruments to hedge the foreign exchange exposures.

Most of the assets, receipts and payments of the Group are either in Hong Kong or U.S. dollars. The Group minimises its foreign exchange exposure by way of buying against order at spot and maintain no long position. The hedging policies are reviewed by the Group regularly.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Foreign exchange risk (continued)

Under the Hong Kong Monetary Authority's monetary policy, the convertibility zone for Hong Kong dollar against U.S. dollar is set between 7.75 and 7.85. At 31 March 2009, if Hong Kong dollar had weakened/strengthened to 7.85/7.75 against U.S. dollar with all other variables held constant, profit for the year would have been higher by HK$4,841,000 (2008: HK$2,890,000) and lower by HK$94,000 (2008: HK$1,366,000), mainly as a result of foreign exchange gains/losses on translation of U.S. dollar-denominated cash and bank balances and U.S. dollar-denominated financial liabilities. The Group considers the risk of movements in exchange rates between Hong Kong dollar and U.S. dollar to be insignificant due to Hong Kong dollar and U.S. dollar are pegged. There is no impact on equity.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, other receivables, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. As at 31 March 2009, all bank balances and bank deposits are held at reputable financial institutions. In respect of wholesale customers, individual risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

Trade receivables are due within 45 days from the date of billings. As at 31 March 2009, 85.1% of the total trade receivables was due within 30 days (2008: 81.2%). The maximum exposure to credit risk is represented by the carrying amount of trade receivables in the consolidated balance sheet. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 22.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and making available an adequate amount of committed credit facilities with staggered maturities to reduce refinancing risk in any year and to fund working capital, debt servicing, dividend payments, new investments and close out market positions if required. The Group has steady cash inflow from operations and has adequate financial resources to fund its operations and future expansion. As at 31 March 2009, the Group's financial liabilities were mainly trade and bills payables and other payables amounting to HK$192,857,000 (2008: HK$221,405,000), which were due within 12 months.

(d) Interest rate risk

The Group's interest rate risk resulted from timing differences in the repricing of interest bearing assets. Major interest bearing assets of the Group are short-term bank deposits.

The Group monitors its interest rate risk through management of maturity profile and choice of fixed or floating interest rates.

Besides, the Group has no significant borrowing during the year.

3.2 Capital risk management

The Group's policy is to maintain a strong capital base so as to maintain creditor and maket confidence and to sustain future development of the business. The Group defines the capital of the Group as the total shareholders' equity.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

At 31 March 2009, the Group did not recognise deferred income tax assets of HK$33,046,000 in respect of losses amounting to HK$139,400,000 that can be carried forward against future taxable income. Estimating the amount of deferred income tax asset arising from tax losses requires a process that involves determining appropriate provisions for income tax expense, forecasting future year's taxable income and assessing our ability to utilise tax benefits through future earnings. In cases where the actual future profits generated are different from original estimates than expected, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such circumstances are changed.

(b) Impairment of investments in subsidiaries and non-financial assets

The Company conducts impairment reviews of investments in subsidiaries and non-financial assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable or tests for impairment annually in accordance with the relevant accounting standards. Determining whether an asset is impaired requires an estimation of the value in use, which requires the Group to estimate the future cash flows and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. In 2009, after reviewing the business environment as well as the Group's objectives and past performance of the investments, management has concluded that there was no impairment loss for the above assets at 31 March 2009.

(c) Write-downs of inventories to net realisable value

The Group writes down inventories to net realisable value based on an estimate of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not realised. The identification of write-downs requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the periods in which such estimate has been changed.

(d) Fair value estimation of share options

The Group estimates the fair value of share options using a binomial lattice methodology which involves the use of estimates. Details of significant inputs to the valuation model are disclosed in Note 26.

5 Revenues, turnover and segment information

The Group is principally engaged in the retailing and wholesaling of cosmetic products. Turnover represents the invoiced sales value of goods supplied to customers. An analysis of revenues for both continuing and discontinued operations recognised is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Continuing operations		
Turnover		
Retail and wholesale	**3,608,990**	3,221,429
Other income		
Slide display rental income	**21,984**	18,090
Rental income	**841**	1,522
Sundry income	**3,326**	68
	26,151	19,680
	3,635,141	3,241,109
Discontinued operations		
Turnover		
Beauty and health club services	**–**	231,658
Other income		
Sundry income	**–**	1,097
	–	232,755
	3,635,141	3,473,864

Capital expenditure comprises additions to property, plant and equipment, leasehold land and investment property.

No separate disclosure for segment assets and liabilities is necessary as there is only one segment under primary reporting segment as at 31 March 2009 and 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Revenues, turnover and segment information (continued)

(a) Primary reporting format – business segments

	Continuing operations	Discontinued operations	
	Retail and wholesale HK$'000	Beauty & health club services HK$'000	2009 Total HK$'000
Turnover	3,608,990	–	3,608,990
Results			
Segment results	370,115	–	370,115
Interest income			13,196
Profit before income tax			383,311
Income tax expense			(67,360)
Profit for the year			315,951
Other information			
Capital expenditure	75,069	–	75,069
Depreciation	64,468	–	64,468
Amortisation	796	–	796
Write-off of property, plant and equipment	2,858	–	2,858
Provision for impairment losses on trade receivables	19	–	19
Provision for slow moving inventories and stock shrinkage	24,997	–	24,997
Fair value loss on investment property	1,500	–	1,500

5 Revenues, turnover and segment information (continued)

(a) Primary reporting format – business segments (continued)

	Continuing operations	Discontinued operations	
	Retail and wholesale HK$'000	Beauty & health club services HK$'000	2008 Total HK$'000
Turnover	3,221,429	231,658	3,453,087
Results			
Segment results	322,733	3,962	326,695
Interest income			26,601
Profit before income tax			353,296
Income tax expense			(72,117)
Gain on disposal of subsidiaries	–	67,034	67,034
Profit for the year			348,213
Other information			
Capital expenditure	53,096	5,895	58,991
Depreciation	64,718	9,937	74,655
Amortisation	796	–	796
Write-off of property, plant and equipment	1,515	171	1,686
Provision for/(reversal of provision for) impairment losses on trade receivables	68	(7)	61
Provision for/(reversal of provision for) slow moving inventories and stock shrinkage	29,778	(99)	29,679
Fair value (gain) on investment property	(2,900)	–	(2,900)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Revenues, turnover and segment information (continued)

(b) Secondary reporting format – geographical segments

The Group operates in Mainland China and Special Administrative Regions ("SAR"), Taiwan and South Asia. SAR includes Hong Kong and Macau. South Asia comprises Thailand, Malaysia and Singapore.

	Mainland China and SAR HK$'000	Taiwan HK$'000	South Asia HK$'000	2009 Total HK$'000
Turnover				
– Continuing operations	3,195,036	131,715	282,239	3,608,990
– Discontinued operations	–	–	–	–
	3,195,036	131,715	282,239	3,608,990
Segment assets				
– Continuing operations	1,225,584	47,905	138,286	1,411,775
Unallocated corporate assets				3,407
				1,415,182
Total assets				
Capital expenditure				
– Continuing operations	65,718	575	8,776	75,069
– Discontinued operations	–	–	–	–
	65,718	575	8,776	75,069

5 Revenues, turnover and segment information (continued)

(b) Secondary reporting format – geographical segments (continued)

	Mainland China and SAR HK$'000	Taiwan HK$'000	South Asia HK$'000	2008 Total HK$'000
Turnover				
– Continuing operations	2,851,470	131,061	238,898	3,221,429
– Discontinued operations	155,108	–	76,550	231,658
	3,006,578	131,061	315,448	3,453,087
Segment assets				
– Continuing operations	1,243,860	53,573	142,316	1,439,749
Unallocated corporate assets				3,375
Total assets				1,443,124
Capital expenditure				
– Continuing operations	37,180	4,388	11,528	53,096
– Discontinued operations	3,495	–	2,400	5,895
	40,675	4,388	13,928	58,991

Turnover is allocated based on the places in which the customers are located.

Segment assets consist primarily of property, plant and equipment, leasehold land, investment property, inventories, receivables and operating cash, and exclude certain corporate assets and tax. Capital expenditure, comprises additions to property, plant and equipment, leasehold land and investment property, is allocated based on where the assets are located.

6 Other net gains – Group

	2009 HK$'000	2008 HK$'000
Continuing operations		
Fair value (loss)/gain on investment property (Note 17)	**(1,500)**	2,900
Net exchange gains	**3,493**	868
	1,993	3,768
Discontinued operations		
Net exchange losses	**–**	(29)
	1,993	3,739

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Expenses by nature – Group

	Continuing operations		Discontinued operations		Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cost of inventories sold	**2,032,124**	1,831,949	**–**	20,070	**2,032,124**	1,852,019
Employee benefit expenses (including directors' emoluments) (Note 8)	**492,867**	454,147	**–**	112,072	**492,867**	566,219
Depreciation of property, plant and equipment	**64,468**	64,718	**–**	9,937	**64,468**	74,655
Amortisation of leasehold land	**796**	796	**–**	–	**796**	796
Write-off of property, plant and equipment	**2,858**	1,515	**–**	171	**2,858**	1,686
Provision for/(reversal of provision for) impairment losses on trade receivables	**19**	68	**–**	(7)	**19**	61
Operating lease rentals in respect of land and buildings						
– minimum lease payments	**336,975**	301,892	**–**	28,290	**336,975**	330,182
– contingent rent	**13,389**	4,814	**–**	3,110	**13,389**	7,924
Auditors' remuneration	**2,936**	2,634	**–**	503	**2,936**	3,137
Advertising and promotion expenses	**69,409**	54,499	**–**	12,355	**69,409**	66,854
Others	**251,178**	205,112	**–**	42,263	**251,178**	247,375
	3,267,019	2,922,144	**–**	228,764	**3,267,019**	3,150,908
Representing:						
Cost of sales	**2,032,124**	1,831,949	**–**	85,381	**2,032,124**	1,917,330
Selling and distribution costs	**1,064,314**	945,026	**–**	128,059	**1,064,314**	1,073,085
Administrative expenses	**170,581**	145,169	**–**	15,324	**170,581**	160,493
	3,267,019	2,922,144	**–**	228,764	**3,267,019**	3,150,908

8 Employee benefit expenses (including directors' emoluments) – Group

	Continuing operations		Discontinued operations		Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Directors' fees	**1,343**	1,335	**–**	–	**1,343**	1,335
Wages, salaries, housing allowances, other allowances and benefits in kind	**464,076**	429,341	**–**	105,937	**464,076**	535,278
Provision for unutilised annual leave	**3,096**	702	**–**	1,717	**3,096**	2,419
Retirement benefit costs (Note 25(b))	**22,409**	19,128	**–**	4,418	**22,409**	23,546
Share-based payment	**1,943**	3,641	**–**	–	**1,943**	3,641
	492,867	454,147	**–**	112,072	**492,867**	566,219

9 Directors' and senior management's emoluments – Group

(a) Directors' emoluments

Directors' emoluments comprised payments to the Company's directors (including the five highest paid individuals in the Group) in connection with the management of the affairs of the Group. The non-executive directors receive an annual director's fee of HK$257,400 (2008: HK$257,400) each; and for those acting as chairmen of Audit Committee, Compensation Committee and Nomination Committee ("Committees"), an additional fee of HK$8,000 (2008: HK$8,000) is paid for their presiding at each of the Committees meeting.

The remuneration of each director of the Company during the year ended 31 March 2009 was set out below:

	Directors' fees HK$'000	Basic salaries, housing allowances, other allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement benefit costs HK$'000	Share-based payment (i) HK$'000	Total HK$'000
Executive Directors						
Dr. Kwok, Siu Ming, Simon, J.P.	–	2,858	714	200	–	3,772
Dr. Kwok Law, Kwai Chun, Eleanor	–	2,594	648	182	–	3,424
Mr. Look, Guy	–	3,180	530	222	1,943	5,875
Non-executive Director						
Mrs. Lee Look, Ngan Kwan, Christina	258	–	–	–	–	258
Independent Non-executive Directors						
Professor Chan, Yuk Shee, PhD, J.P.	297	–	–	–	–	297
Dr. Leung, Kwok Fai, Thomas, PhD, BBS, J.P.	265	–	–	–	–	265
Ms. Tam, Wai Chu, Maria, GBS, J.P.	265	–	–	–	–	265
Ms. Ki, Man Fung, Leonie, SBS, J.P.	258	–	–	–	–	258
	1,343	8,632	1,892	604	1,943	14,414

9 Directors' and senior management's emoluments – Group (continued)

(a) Directors' emoluments (continued)

The remuneration of each director of the Company during the year ended 31 March 2008 was set out below:

	Directors' fees HK$'000	Basic salaries, housing allowances, other allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement benefit costs HK$'000	Share-based payment (i) HK$'000	Total HK$'000
Executive Directors						
Dr. Kwok, Siu Ming, Simon, J.P.	–	2,858	310	200	–	3,368
Dr. Kwok Law, Kwai Chun, Eleanor	–	2,594	281	182	–	3,057
Mr. Look, Guy	–	3,180	76	223	3,484	6,963
Non-executive Director						
Mrs. Lee Look, Ngan Kwan, Christina	258	–	–	–	–	258
Independent Non-executive Directors						
Professor Chan, Yuk Shee, PhD, J.P.	297	–	–	–	–	297
Dr. Leung, Kwok Fai, Thomas, PhD, BBS, J.P.	264	–	–	–	–	264
Ms. Tam, Wai Chu, Maria, GBS, J.P.	258	–	–	–	–	258
Ms. Ki, Man Fung, Leonie, SBS, J.P.	258	–	–	–	–	258
	1,335	8,632	667	605	3,484	14,723

Notes:

(i) Share-based payment represents amortisation to the consolidated income statement of the fair value of share options measured at the respective grant dates, regardless of whether the share options would be exercised or not.

(ii) During the year ended 31 March 2009, 13,500,000 share options were granted to the executive director under the 2002 Share Option Scheme (2008: Nil).

No compensation for loss of office has been paid to the directors for the years ended 31 March 2009 and 2008.

No director of the Company waived any emoluments during the years ended 31 March 2009 and 2008.

9 Directors' and senior management's emoluments – Group (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2008: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2008: two) individuals during the year were as follows:

	2009 HK$'000	2008 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**2,664**	2,867
Discretionary bonuses	**1,286**	726
Retirement benefit costs	**186**	151
Share-based payment	**–**	–
	4,136	3,744

The emoluments of the individuals fell within the following bands:

Emoluments bands	Number of individuals 2009	2008
HK$1,000,001 – HK$1,500,000	**–**	–
HK$1,500,001 – HK$2,000,000	**1**	2
HK$2,000,001 – HK$2,500,000	**1**	–
	2	2

10 Income tax expense – Group

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	Continuing operations		Discontinued operations		Total	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Hong Kong profits tax						
Current	**58,720**	62,131	**–**	(149)	**58,720**	61,982
Over provision in previous years	**(154)**	(6)	**–**	–	**(154)**	(6)
Overseas taxation						
Current	**8,861**	6,881	**–**	1,216	**8,861**	8,097
Over provision in previous years	**(77)**	(171)	**–**	(778)	**(77)**	(949)
Deferred income tax relating to origination and reversal of temporary differences (Note 20)	**(23)**	2,421	**–**	408	**(23)**	2,829
Change in tax rate	**33**	46	**–**	118	**33**	164
	67,360	71,302	**–**	815	**67,360**	72,117

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Income tax expense – Group (continued)

The income tax expense on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2009 HK$'000	2008 HK$'000
Profit before income tax		
– Continuing operations	383,311	347,555
– Discontinued operations	–	5,741
	383,311	353,296
Tax calculated at a taxation rate of 16.5% (2008: 17.5%)	63,246	61,827
Effect of different taxation rates in other countries	73	342
Income not subject to income tax	(3,644)	(3,291)
Expenses not deductible for income tax purposes	1,901	1,561
Net unrecognised tax losses	5,982	12,469
Over provision in previous years	(231)	(955)
Change in tax rate	33	164
Income tax expense	67,360	72,117

11 Profit for the year

Profit for the year is dealt with in the financial statements of the Company to the extent of HK$304,787,000 (2008: HK$171,841,000).

12 Earnings per share

(a) The calculation of basic and diluted earnings per share from continuing operations is based on the Group's profit for the year from continuing operations of HK$315,951,000 (2008: HK$276,253,000).

(b) The calculation of basic and diluted earnings per share from discontinued operations was based on the Group's profit for the year from discontinued operations of HK$71,960,000 in 2008.

(c) The calculation of basic earnings per share from continuing operations and discontinued operations is based on the weighted average of 1,380,511,396 (2008: 1,374,282,947) shares in issue during the year.

(d) Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. The calculation of diluted earnings per share from continuing operations and discontinued operations is based on the weighted average of 1,380,511,396 (2008: 1,374,282,947) shares in issue during the year plus the weighted average of 1,690,332 (2008: 3,356,759) shares deemed to be issued. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

13 Dividends – Company

	2009 HK$'000	2008 HK$'000
Interim, paid – 3.0 HK cents (2008: 3.0 HK cents) per share	41,438	41,309
Special, paid – 3.0 HK cents (2008: 3.0 HK cents) per share	41,438	41,309
Final, proposed – 5.0 HK cents (2008: 5.0 HK cents) per share	69,063	68,983
Special, proposed – 12.0 HK cents (2008: 10.0 HK cents) per share	165,752	137,965
	317,691	289,566

13 Dividends – Company (continued)

At a meeting held on 25 June 2009, the directors declared a final dividend of 5.0 HK cents and a special dividend of 12.0 HK cents per share. These proposed dividends have not been reflected as dividend payables in these consolidated financial statements, but will be reflected as an appropriation of distributable reserve for the year ending 31 March 2010.

14 Profit for the year from discontinued operations

On 19 February 2008, Highmove Enterprises Limited ("Highmove"), a wholly owned subsidiary of the Company, entered into the sale and purchase Agreement with Fullgoal International Limited, for the sale of the entire issued share capital of Lisbeth Enterprises Limited ("Lisbeth"), a wholly owned subsidiary of the Company, and the assignment of the sales debt in the sum of HK$87,000,000 owing by Lisbeth to Highmove for an aggregate consideration of HK$20,000,000. The disposal was completed on 31 March 2008.

The results and cash flows of the discontinued operations for the year ended 31 March 2008 included in the consolidated income statement and the consolidated cash flow statement were set out below.

	Note	2008 HK$'000
Turnover	5	231,658
Cost of sales		(85,381)
Gross profit		146,277
Other income	5	1,097
Selling and distribution costs		(128,059)
Administrative expenses		(15,324)
Other net losses	6	(29)
Operating profit		3,962
Interest income		1,779
Profit before income tax	7	5,741
Income tax expense	10	(815)
Profit for the year		4,926
Gain on disposal of subsidiaries		67,034
Profit for the year from discontinued operations		71,960

	Note	2008 HK$'000
Net cash inflow from operating activities		106,234
Net cash outflow from investing activities		(4,098)
Net cash inflow from discontinued operations		102,136
Cash and cash equivalents at beginning of the year		50,910
Cash and cash equivalents at end of the year	28(b)	153,046

15 Property, plant and equipment – Group

	Buildings HK$'000	Leasehold improve-ments HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicles and vessel HK$'000	Total HK$'000
Year ended 31 March 2009					
Opening net book amount	22,635	55,703	29,989	1,149	109,476
Exchange differences	–	(1,374)	(700)	(34)	(2,108)
Additions	–	54,735	16,524	3,810	75,069
Disposals	–	–	(2)	(335)	(337)
Write-off	–	(1,581)	(1,277)	–	(2,858)
Depreciation	(2,568)	(43,754)	(17,066)	(1,080)	(64,468)
Closing net book amount	**20,067**	**63,729**	**27,468**	**3,510**	**114,774**
At 31 March 2009					
Cost or valuation	**25,203**	**236,330**	**100,197**	**13,413**	**375,143**
Accumulated depreciation	**(5,136)**	**(172,601)**	**(72,729)**	**(9,903)**	**(260,369)**
Net book amount	**20,067**	**63,729**	**27,468**	**3,510**	**114,774**
At 1 April 2007					
Cost or valuation	25,203	278,848	138,601	11,099	453,751
Accumulated depreciation	–	(210,227)	(95,478)	(9,275)	(314,980)
Net book amount	25,203	68,621	43,123	1,824	138,771
Year ended 31 March 2008					
Opening net book amount	25,203	68,621	43,123	1,824	138,771
Exchange differences	–	1,372	490	31	1,893
Additions	–	37,856	20,659	476	58,991
Disposals	–	–	(5)	(436)	(441)
Write-off	–	(833)	(853)	–	(1,686)
Depreciation	(2,568)	(47,589)	(23,752)	(746)	(74,655)
Disposal of subsidiaries	–	(3,724)	(9,673)	–	(13,397)
Closing net book amount	22,635	55,703	29,989	1,149	109,476
At 31 March 2008					
Cost or valuation	25,203	210,770	93,932	11,061	340,966
Accumulated depreciation	(2,568)	(155,067)	(63,943)	(9,912)	(231,490)
Net book amount	22,635	55,703	29,989	1,149	109,476

15 Property, plant and equipment – Group (continued)

Analysis of the cost or valuation of the above assets is as follows:

	Buildings HK$'000	Leasehold improve- ments HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicles and vessel HK$'000	Total HK$'000
At 31 March 2009					
At cost	**–**	**236,330**	**100,197**	**13,413**	**349,940**
At valuation	**25,203**	**–**	**–**	**–**	**25,203**
	25,203	**236,330**	**100,197**	**13,413**	**375,143**
At 31 March 2008					
At cost	–	210,770	93,932	11,061	315,763
At valuation	25,203	–	–	–	25,203
	25,203	210,770	93,932	11,061	340,966

(a) The buildings are situated in Hong Kong and held under medium term leases between 10 to 50 years.

(b) The buildings were revalued on the basis of their open market values at 31 March 2007 by DTZ Debenham Tie Leung Limited, an independent firm of registered professional surveyor.

(c) The carrying amounts of buildings would have been HK$13,797,000 (2008: HK$15,573,000) had they been stated at cost less accumulated depreciation.

16 Leasehold land – Group

The Group's interests in leasehold land represent prepaid operating lease payments and their net book value are analysed as follows:

	2009 HK$'000	2008 HK$'000
At beginning of the year	**28,760**	29,556
Amortisation of prepaid operating lease payment	**(796)**	(796)
At end of the year	**27,964**	28,760

The leasehold land are situated in Hong Kong and held under medium term leases between 10 to 50 years.

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17 Investment property – Group

	2009 HK$'000	2008 HK$'000
At beginning of the year	**11,500**	8,600
Fair value (loss)/gain (Note 6)	**(1,500)**	2,900
At end of the year	**10,000**	11,500

(a) The investment property is situated in Hong Kong and held under medium term leases between 10 to 50 years.

(b) The investment property was revalued on the basis of its open market value at 31 March 2009 by DTZ Debenham Tie Leung Limited, an independent firm of registered professional surveyor. The loss arising on revaluation of investment property amounting to HK$1,500,000 (2008: surplus of HK$2,900,000) and is debited to the income statement.

(c) During the year, the Group has gross rental income of HK$504,000 (2008: HK$497,000) from investment property. The amount was included in other income in the income statement.

18 Investments in and amounts due from subsidiaries – Company

	2009 HK$'000	2008 HK$'000
Unlisted shares, at cost	**1**	1
Amounts due from subsidiaries (Note (b))	**997,896**	1,021,526
Provision for impairment of amounts due from subsidiaries	**(450,932)**	(449,090)
	546,965	572,437
Amounts due to subsidiaries (Note (b))	**–**	11

(a) Details of the Company's principal subsidiaries are set out in Note 31 to the consolidated financial statements.

(b) The amounts due from/(to) subsidiaries are unsecured and interest-free, and are repayable on demand.

19 Rental deposits and other assets

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Rental deposits	**63,135**	69,245	**–**	–
Others	**750**	750	**750**	750
	63,885	69,995	**750**	750

Rental deposits are carried at amortised cost using the effective interest rate of 1.8%-3.8% per annum. At 31 March 2009, the carrying amounts of rental deposits approximate their fair values.

20 Deferred income tax – Group

Deferred income tax is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2008: 16.5%).

The movement on the net deferred income tax assets account is as follows:

	2009	2008
	HK$'000	HK$'000
At beginning of the year	**1,600**	13,990
Deferred income tax credited/(charged) to the income statement (Note 10)	**23**	(2,829)
Tax charged directly to building revaluation reserve in equity	**87**	87
Decrease in opening net deferred tax assets resulting from change in tax rate	**(33)**	(118)
Exchange differences	**(276)**	759
Disposal of subsidiaries	**–**	(10,289)
At end of the year	**1,401**	1,600

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$33,046,000 (2008: HK$25,091,000) in respect of losses amounting to HK$139,400,000 (2008: HK$105,943,000) that can be carried forward against future taxable income. Losses amounting to HK$116,985,000 (2008: HK$86,491,000) will expire within 5 and 10 years from 31 March 2009. The remaining tax losses have no expiry date.

20 Deferred income tax – Group (continued)

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

	2009 HK$'000	2008 HK$'000
Deferred income tax assets	2,657	2,625
Deferred income tax liabilities	(1,256)	(1,025)
	1,401	1,600

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred income tax assets	Decelerated tax depreciation		Investment property valuation		Provisions		Tax losses		Receipts in advance		Total	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
At beginning of year	310	4,425	274	330	2,816	3,154	–	1,887	–	7,810	3,400	17,606
(Charged)/credited to the income statement	133	(2,379)	(37)	(39)	117	65	–	(2,065)	–	112	213	(4,306)
Decrease in opening deferred tax assets resulting from decrease in tax rate	(5)	(130)	–	(17)	(28)	(77)	–	–	–	–	(33)	(224)
Exchange differences	(22)	209	–	–	(254)	172	–	178	–	200	(276)	759
Disposal of subsidiaries	–	(1,815)	–	–	–	(498)	–	–	–	(8,122)	–	(10,435)
At end of year	416	310	237	274	2,651	2,816	–	–	–	–	3,304	3,400

20 Deferred income tax – Group (continued)

Deferred income tax liabilities	Accelerated tax depreciation		Fair value gain		Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of year	**1,136**	2,819	**664**	797	**1,800**	3,616
Charged/(credited) to the income statement	**190**	(1,477)	**–**	–	**190**	(1,477)
Credited directly to equity	**–**	–	**(87)**	(87)	**(87)**	(87)
Decrease in opening deferred tax liabilities resulting from decrease in tax rate	**–**	(60)	**–**	(46)	**–**	(106)
Exchange differences	**–**	–	**–**	–	**–**	–
Disposal of subsidiaries	**–**	(146)	**–**	–	**–**	(146)
At end of year	**1,326**	1,136	**577**	664	**1,903**	1,800

21 Inventories – Group

	2009	2008
	HK$'000	HK$'000
Merchandise stock for resale	**468,670**	470,543

The cost of inventories recognized as expense and included in cost of sales amounted to HK$2,007,127,000 (2008: HK$1,822,340,000).

During the year, the Group has made a provision of HK$24,997,000 for slow moving inventories and stock shrinkage (2008: HK$29,679,000). The amount was included in cost of sales in the consolidated income statement.

22 Trade receivables – Group

	2009	2008
	HK$'000	HK$'000
Trade receivables	**25,367**	28,333
Less: provision for impairment losses on trade receivables	**(87)**	(68)
Trade receivables – net	**25,280**	28,265

22 Trade receivables – Group (continued)

The fair values of trade receivables approximate their carrying amounts.

The Group's turnover comprises mainly cash sales and credit card sales. Certain wholesale customers are granted credit terms ranging from 7 to 45 days. The ageing analysis of trade receivables is as follows:

	2009 HK$'000	2008 HK$'000
Within 1 month	**21,513**	22,958
1 to 3 months	**3,085**	3,225
Over 3 months	**682**	2,082
	25,280	28,265

As at 31 March 2009, trade receivable of HK$1,850,000 (2008: HK$1,404,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2009 HK$'000	2008 HK$'000
1 to 3 months	**1,339**	363
Over 3 months	**511**	1,041
	1,850	1,404

Trade receivables are denominated in the following currencies:

	2009 HK$'000	2008 HK$'000
Hong Kong dollars	**15,910**	21,937
Renminbi	**4,666**	2,179
Taiwan dollars	**2,646**	2,571
Others	**2,058**	1,578
	25,280	28,265

22 Trade receivables – Group (continued)

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

	2009 HK$'000	2008 HK$'000
At 1 April	**68**	17
Provision for receivable impairment	**25**	68
Unused amounts reversed	**(6)**	(7)
Disposal of subsidiaries	**–**	(10)
At 31 March	**87**	68

During the year, the Group has made a provision for impairment losses on trade receivables of HK$19,000 (2008: HK$61,000). The provision has been included in selling and distribution costs.

The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to the historical information about counter party default rates. The existing counter parties do not have significant default in the past. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

23 Cash and bank balances

	Group		Company	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Bank deposits over three months to maturity	**35,863**	227,262	**–**	189,466
Cash at bank and in hand	**107,115**	120,176	**5,933**	18,666
Short-term bank deposits	**477,518**	304,205	**355,622**	100,615
Cash and cash equivalents	**584,633**	424,381	**361,555**	119,281
Total	**620,496**	651,643	**361,555**	308,747

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23 Cash and bank balances (continued)

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**82,681**	148,909	**5,733**	20,827
U.S. dollars	**400,722**	344,149	**355,822**	287,920
Euro	**24,214**	33,378	**–**	–
Renminbi	**5,530**	10,828	**–**	–
Singapore dollars	**14,688**	22,817	**–**	–
Malaysian Ringit	**52,482**	48,550	**–**	–
Taiwan dollars	**12,935**	16,382	**–**	–
Others	**27,244**	26,630	**–**	–
	620,496	651,643	**361,555**	308,747

The effective interest rate on bank deposits over three months to maturity was 3.0% (2008: 3.9%). These deposits have an average maturity of 1 year (2008: 7 months).

The effective interest rate on short-term bank deposits was 1.21% (2008: 3.4%). These deposits have an average maturity of 2 months (2008: 1 month).

24 Trade and bills payables – Group

The ageing analysis of trade and bills payables is as follows:

	2009	2008
	HK$'000	HK$'000
Within 1 month	**84,507**	78,539
1 to 3 months	**49,277**	82,431
Over 3 months	**10,691**	17,488
	144,475	178,458

The fair values of trade and bills payables approximate their carrying amounts.

24 Trade and bills payables – Group (continued)

Trade and bills payables are denominated in the following currencies:

	2009 HK$'000	2008 HK$'000
Hong Kong dollars	**76,195**	109,855
U.S. dollars	**18,192**	12,941
Euro	**14,674**	20,444
Renminbi	**7,838**	7,590
Singapore dollars	**5,672**	6,440
Malaysian Ringit	**7,906**	4,812
Taiwan dollars	**9,045**	7,315
Swiss Franc	**1,726**	7,044
Others	**3,227**	2,017
	144,475	178,458

25 Retirement benefit obligations – Group

(a) Retirement benefit obligations

	2009 HK$'000	2008 HK$'000
Retirement benefit obligations on		
– Defined benefit plan (Note (b)(ii))	**173**	451
– Long service payments (Note (b)(iii))	**4,020**	4,178
	4,193	4,629

(b) Retirement benefit costs

	2009 HK$'000	2008 HK$'000
Retirement benefit costs (Note 8)		
– Defined contribution plans (Note (i))	**22,338**	23,864
– Defined benefit plan (Note (ii))	**(130)**	118
	22,208	23,982
– Long service payments (Note (iii))	**201**	(436)
	22,409	23,546
Gross employer's contributions	**22,510**	24,174
Less: Forfeited contributions utilised to reduce employer's contributions for the year	**(302)**	(192)
Net employer's contributions charged to the consolidated income statement	**22,208**	23,982
Long service payments (Note (iii))	**201**	(436)
	22,409	23,546

25 Retirement benefit obligations – Group (continued)

(b) Retirement benefit costs (continued)

Notes:

(i) Prior to 1 December 2000, certain subsidiaries of the Group in Hong Kong operated a defined contribution retirement benefit plan ("Retirement Scheme") for the employees in Hong Kong. On 1 December 2000, the Retirement Scheme has been suspended and replaced by the Mandatory Provident Fund Scheme ("MPF Scheme") mentioned below. No more contribution was contributed to the retirement scheme. The assets of the Retirement Scheme are separately controlled and administered by independent trustees. Employees who contributed to the Retirement Scheme are entitled to the retirement benefits under this Retirement Scheme as well as the MPF Scheme.

From 1 December 2000, the subsidiaries of the Group in Hong Kong elected to contribute to the MPF Scheme. The MPF Scheme is a defined contribution retirement benefit plan administered by independent trustees. Under the MPF Scheme, both the employer and employees are required to contribute 5% of the employee's monthly salaries (capped at HK$20,000). Contributions from the employer equivalent to the contribution as specified at the rules of the MPF Scheme are 100% vested as soon as they are paid to the relevant MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the age of 65, subject to a few exceptions. As to the employer's contribution in excess of the portion vested in the MPF Scheme the employees are entitled to 100% of it after 10 years of completed service or at a reduced scale after completion of three to nine years' service. The forfeited contributions are to be used to reduce the employer's contribution.

The defined contribution plans for the employees of the Group in other countries follow the local statutory requirements of the respective countries.

(ii) A branch of a wholly-owned subsidiary of the Group in Taiwan participates in a central defined benefit retirement plan ("Old Retirement Plan") providing benefits to all employees in accordance with the Labor Standards Law (as amended) in Taiwan. The Group has an obligation to ensure that there are sufficient funds in the Old Retirement Plan to pay the benefits earned. The branch currently contributes at 2% of the total salaries as determined and approved by the relevant government authorities. The assets of the Old Retirement Plan are invested by the Central Trust of China and the assets are held separately from those of the Group in independent administered funds.

The latest actuarial valuation was prepared as at 31 March 2009 by HSBC Life (International) Limited, a qualified actuary, using the projected unit credit method.

Effective from 1 July 2005, a new retirement plan ("New Retirement Plan") was launched in Taiwan, which is a defined contribution retirement benefit plan administered by the local government and followed the local statutory requirements. Employee can choose to stay in the Old Retirement Plan or participate in the New Retirement Plan.

The amounts recognised in the consolidated balance sheet are determined as follows:

	2009 **HK$'000**	2008 HK$'000
Present value of funded obligations	**2,061**	1,934
Fair value of plan assets	**(2,246)**	(2,346)
	(185)	(412)
Unrecognised actuarial gains	**358**	863
Liability in the balance sheet (Note (a))	**173**	451

25 Retirement benefit obligations – Group (continued)

(b) Retirement benefit costs (continued)

Notes: (continued)

The amounts recognised in the consolidated income statement were as follows:

	2009 HK$'000	2008 HK$'000
Current service cost	36	207
Interest cost	38	40
Expected return on plan assets	(64)	(65)
Net actuarial gains recognised in the year	(140)	(64)
Total included in employee benefit expenses	(130)	118

Movement in the defined benefit retirement plan obligations recognised in the consolidated balance sheet is as follows:

	2009 HK$'000	2008 HK$'000
At beginning of year	451	430
Total expense	(130)	118
Contributions paid	(107)	(140)
Exchange differences	(41)	43
At end of year	173	451

The principal actuarial assumptions used are as follows:

	2009 %	2008 %
Discount rate	1.00	2.20
Expected rate of return on plan assets	3.00	3.00
Expected rate of future salary increases	0-3.00	3.00

(iii) The Group's provision for long service payments are determined based on the actuarial valuation as at 31 March 2009 prepared by HSBC Life (International) Limited, a qualified actuary, using the projected unit credit method.

The amounts recognised in the consolidated balance sheet are determined as follows:

	2009 HK$'000	2008 HK$'000
Present value of unfunded obligations	2,042	1,973
Unrecognised actuarial gains	1,978	2,205
Liability in balance sheet (Note (a))	4,020	4,178

25 Retirement benefit obligations – Group (continued)

(b) Retirement benefit costs (continued)

Notes: (continued)

The amounts recognised in the consolidated income statement were as follows:

	2009 HK$'000	2008 HK$'000
Current service cost	409	354
Interest cost	43	140
Net actuarial gains recognised in the year	(251)	(930)
Total included in employee benefit expenses	201	(436)

Movement in the provision for long service payments obligations recognised in the consolidated balance sheet is as follows:

	2009 HK$'000	2008 HK$'000
At beginning of year	4,178	9,535
Total expense	201	(436)
Contributions paid	(359)	(127)
Exchange differences	–	28
Disposal of subsidiaries	–	(4,822)
At end of year	4,020	4,178

The principal actuarial assumptions used are as follows:

	2009 %	2008 %
Discount rate	1.85	2.40
Expected rate of future salary increases	0.50-2.00	3.00-5.00

26 Share capital

Authorised shares of HK$0.1 each	Note	No. of shares	HK$'000
At 31 March 2008 and 2009		8,000,000,000	800,000
Issued and fully paid shares of HK$0.1 each			
At 1 April 2007		1,368,619,126	136,862
Issue of shares upon exercise of share options	(a)	10,324,019	1,032
At 31 March 2008 and 1 April 2008		1,378,943,145	137,894
Issue of shares upon exercise of share options	(a)	2,310,434	231
At 31 March 2009		1,381,253,579	138,125

26 Share capital (continued)

Notes:

(a) Issue of shares upon exercise of share options

During the year, a total of 2,310,434 (2008: 10,324,019) shares were issued to certain staff members of the Company pursuant to the exercises of share options under the 2002 Share Option Scheme. The proceeds of the issues totalling HK$3,881,000 (2008: HK$17,433,000) including share premium amounted to HK$3,650,000 (2008: HK$16,401,000).

(b) Share options

The share options of the Company were granted under the 2002 Share Option Scheme.

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

	No. of share options year ended 31 March	
	2009	2008
At beginning of the year	**25,113,214**	36,335,099
Granted	**13,500,000**	–
Exercised	**(2,310,434)**	(10,324,019)
Lapsed	**(766,599)**	(897,866)
At the end of the year	**35,536,181**	25,113,214

The expiry dates and exercise prices of the share options outstanding as at 31 March 2009 were set out as follows:–

Expiry date	**Exercise price per share** (HK$)	**No. of Share Options as at 31 March 2009**	2008
2002 Share Option Scheme			
29 October 2013	1.68	**5,334,672**	8,090,372
28 February 2014	2.85	**268,333**	268,333
2 March 2014	2.78	**775,333**	775,333
28 June 2014	3.00	**1,000,000**	1,000,000
1 August 2014	3.12	**–**	321,333
30 November 2014	3.85	**953,666**	953,666
21 December 2014	4.15	**215,333**	215,333
25 May 2016	2.965	**13,488,844**	13,488,844
1 March 2019	2.19	**13,500,000**	–
		35,536,181	25,113,214

The weighted average fair value of options granted during the year ended 31 March 2009 determined using the binominal lattice model, prepared by Watson Wyatt Hong Kong Limited, was HK$0.605 per option (2008: Nil). The significant inputs into the model were share price of HK$2.16 at the grant date, exercise price of HK$2.19, volatility of 45%, dividend yields of 6%, an expected option life of 6.6 years and on annual risk-free interest rate of 1.76%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last 6.6 years. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

27 Reserves

(a) Group

	Share premium HK$'000	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Building revaluation reserve HK$'000	Translation HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2008	645,101	11,783	16,875	3,364	144	293,332	970,599
Profit for the year	–	–	–	–	–	315,951	315,951
Depreciation transfer on buildings, net of tax	–	–	–	(445)	–	532	87
Currency translation differences	–	–	–	–	(17,556)	–	(17,556)
Total recognised income for the year ended 31 March 2009	–	–	–	(445)	(17,556)	316,483	298,482
Employee share option scheme:							
Value of employee services	–	–	1,943	–	–	–	1,943
Proceeds from shares issued upon exercise of options (Note 26(a))	3,650	–	–	–	–	–	3,650
Transfer of reserve upon exercise of options	1,328	–	(1,328)	–	–	–	–
2007/2008 Final and Special dividends paid	–	–	–	–	–	(207,174)	(207,174)
2008/2009 Interim dividend paid	–	–	–	–	–	(41,438)	(41,438)
2008/2009 Special dividend paid	–	–	–	–	–	(41,438)	(41,438)
	4,978	–	615	–	–	(290,050)	(284,457)
At 31 March 2009	**650,079**	**11,783**	**17,490**	**2,919**	**(17,412)**	**319,765**	**984,624**

Representing:	
Reserves	749,809
Proposed dividends	234,815
At 31 March 2009	**984,624**

27 Reserves (continued)

(a) Group (continued)

	Share premium HK$'000	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Building revaluation reserve HK$'000	Translation HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2007	623,080	11,783	18,854	3,763	(22,220)	178,468	813,728
Profit for the year	–	–	–	–	–	348,213	348,213
Depreciation transfer on buildings, net of tax	–	–	–	(399)	–	532	133
Currency translation differences	–	–	–	–	11,022	–	11,022
Total recognised income for the year ended 31 March 2008	–	–	–	(399)	11,022	348,745	359,368
Employee share option scheme:							
Value of employee services	–	–	3,641	–	–	–	3,641
Proceeds from shares issued upon exercise of options (Note 26(a))	16,401	–	–	–	–	–	16,401
Transfer of reserve upon exercise of options	5,620	–	(5,620)	–	–	–	–
Release of exchange reserve upon disposal of subsidiaries	–	–	–	–	11,342	–	11,342
2006/2007 Final and Special dividends paid	–	–	–	–	–	(151,263)	(151,263)
2007/2008 Interim dividend paid	–	–	–	–	–	(41,309)	(41,309)
2007/2008 Special dividend paid	–	–	–	–	–	(41,309)	(41,309)
	22,021	–	(1,979)	–	11,342	(233,881)	(202,497)
At 31 March 2008	645,101	11,783	16,875	3,364	144	293,332	970,599

Representing:	
Reserves	763,651
Proposed dividends	206,948
At 31 March 2008	970,599

27 Reserves (continued)

(b) Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2008	645,101	11,783	16,875	72,148	745,907
Profit for the year	–	–	–	304,787	304,787
Employee share option scheme:					
Value of employee services	–	–	1,943	–	1,943
Proceeds from shares issued upon exercise of options (Note 26(a))	3,650	–	–	–	3,650
Transfer of reserve upon exercise of options	1,328	–	(1,328)	–	–
2007/2008 Final and Special dividends paid	–	–	–	(207,174)	(207,174)
2008/2009 Interim dividend paid	–	–	–	(41,438)	(41,438)
2008/2009 Special dividend paid	–	–	–	(41,438)	(41,438)
	4,978	–	615	(290,050)	(284,457)
At 31 March 2009	**650,079**	**11,783**	**17,490**	**86,885**	**766,237**

Representing:	
Reserves	531,422
Proposed dividends	234,815
At 31 March 2009	**766,237**

27 Reserves (continued)

(b) Company (continued)

	Share premium HK$'000	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2007	623,080	11,783	18,854	134,188	787,905
Profit for the year	–	–	–	171,841	171,841
Employee share option scheme:					
Value of employee services	–	–	3,641	–	3,641
Proceeds from shares issued upon exercise of options (Note 26(a))	16,401	–	–	–	16,401
Transfer of reserve upon exercise of options	5,620	–	(5,620)	–	–
2006/2007 Final and Special dividends paid	–	–	–	(151,263)	(151,263)
2007/2008 Interim dividend paid	–	–	–	(41,309)	(41,309)
2007/2008 Special dividend paid	–	–	–	(41,309)	(41,309)
	22,021	–	(1,979)	(233,881)	(213,839)
At 31 March 2008	645,101	11,783	16,875	72,148	745,907

Representing:	
Reserves	538,959
Proposed dividends	206,948
At 31 March 2008	745,907

(c) At 31 March 2009, the Company had a distributable reserve of approximately HK$736,964,000 (2008: HK$717,249,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Consolidated cash flow statement

(a) Cash generated from operations

	2009 HK$'000	2008 HK$'000
Profit for the year		
– Continuing operations	315,951	276,253
– Discontinued operations	–	71,960
	315,951	348,213
Adjustments for:		
– Income tax expense	67,360	72,117
– Depreciation of property, plant and equipment	64,468	74,655
– Amortisation of leasehold land	796	796
– Gain on disposal of property, plant and equipment	(1,338)	(86)
– Write-off of property, plant and equipment	2,858	1,686
– Share-based payment	1,943	3,641
– Interest income	(13,196)	(26,601)
– Fair value changes on investment property	1,500	(2,900)
– Gain on disposal of subsidiaries	–	(67,034)
Changes in working capital	440,342	404,487
– Inventories	1,873	(91,346)
– Trade receivables	2,985	(4,565)
– Other receivables, deposits and prepayments	(1,415)	(37,542)
– Trade and bills payable	(33,983)	58,341
– Other payables and accrued charges	2,747	48,763
– Receipts in advance	–	14,474
– Retirement benefit obligations	(436)	(514)
Cash generated from operations	412,113	392,098

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

	2009 HK$'000	2008 HK$'000
Net book amount (Note 15)	337	441
Gain on disposal of property, plant and equipment	1,338	86
Proceeds from disposal of property, plant and equipment	1,675	527

28 Consolidated cash flow statement (continued)

(b) Disposal of subsidiaries

The net liabilities of the discontinued operations as at the date of discontinuance as follows:

	2008 HK$'000
Property, plant and equipment	13,397
Deferred income tax assets	10,289
Inventories	4,837
Trade receivables	7,124
Other receivables, deposits and prepayments	14,716
Cash and cash equivalents	153,046
Trade and bills payables	(1,155)
Other payables and accruals	(27,054)
Income tax payable	(999)
Amount due to fellow subsidiaries	(2,355)
Receipts in advance	(225,788)
Retirement benefit obligations	(4,822)
Net liabilities disposed of	(58,764)
Release of exchange reserve upon disposal of subsidiaries	11,342
Expenses incurred in disposal of subsidiaries	388
Gain on disposal of subsidiaries	67,034
	20,000
Satisfied by:	
Cash consideration received	20,000

Analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2008 HK$'000
Cash and cash equivalents disposed of	(153,046)
Expenses incurred in disposal of subsidiaries	(388)
Cash consideration received	20,000
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(133,434)

29 Commitments – Group

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

	2009 HK$'000	2008 HK$'000
Contracted but not provided for	**5,191**	8,302
Authorised but not contracted for	**61,926**	63,291
	67,117	71,593

The amount of capital commitments authorised but not contracted for represents the Group's estimated capital expenditure based on the annual budget approved by directors.

(b) Commitments under operating leases

As at 31 March 2009, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2009 HK$'000	2008 HK$'000
Land and buildings		
Within one year	**327,814**	312,452
In the second to fifth year inclusive	**416,563**	299,090
After the fifth year	**15,208**	–
	759,585	611,542

30 Related party transactions

Key management personnel compensation:

	2009 HK$'000	2008 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**33,161**	29,084
Retirement benefit costs	**1,651**	1,500
Share-based payment	**1,943**	3,600
	36,755	34,184

31 Principal subsidiaries

Particulars of the principal subsidiaries at 31 March 2009:

Name	Place of incorporation	Principal activities and place of operation (if different from place of incorporation)	Particulars of issued share capital/paid up share capital	Indirect interest held
Alibaster Management Limited	British Virgin Islands	Trading and retailing of cosmetic and skin care products in Taiwan	Ordinary US$6,880,000	100%
Base Sun Investment Limited	Hong Kong	Property holding	Ordinary HK$100 Deferred HK$2	100%
Cyber Colors Limited	British Virgin Islands	Holding of intellectual property rights	Ordinary US$1	100%
Docile Company Limited	British Virgin Islands	Holding of intellectual property rights	Ordinary US$2	100%
Elegance Trading (Shanghai) Company Limited (Note 1)	People's Republic of China	Wholesaling of cosmetic and skin care products	HK$1,500,000	100%
Gig Limited	Samoa	Holding of intellectual property rights	Ordinary US$1	100%
Hong Kong Sa Sa (M) Sdn. Bhd.	Malaysia	Trading and retailing of cosmetic and skin care products	Ordinary RM20,000,000	100%
Lea Limited	Samoa	Holding of intellectual property rights	Ordinary US$1	100%
Matford Trading Limited	Hong Kong	Property holding	Ordinary HK$100 Deferred HK$6	100%
Sa Sa Cosmetic Company Limited	Hong Kong	Retailing and wholesaling of cosmetic and skin care products	Ordinary HK$100 Deferred HK$2	100%
Sa Sa Cosmetic Co. (S) Pte Limited	Singapore	Trading and retailing of cosmetic and skin care products	Ordinary S$19,500,000	100%

31 Principal subsidiaries (continued)

Name	Place of incorporation	Principal activities and place of operation (if different from place of incorporation)	Particulars of issued share capital/paid up share capital	Indirect interest held
Sa Sa dot Com Limited	Hong Kong	E-commerce	Ordinary HK$1,000,000	100%
Sa Sa Investment Limited	Hong Kong	Property holding	Ordinary HK$100 Deferred HK$2	100%
Sa Sa Property Limited	Hong Kong	Property holding	Ordinary HK$100	100%
Sa Sa Cosmetic (China) Company Limited (Note 2)	People's Republic of China	Trading and retailing of cosmetic and skin care products	HK$50,000,000	100%
Suisse Programme Limited	Gibraltar	Holding of intellectual property rights	Ordinary Gibraltar £100	100%
Vance Trading Limited	Hong Kong	Property holding	Ordinary HK$400,100 Deferred HK$1,600,000	100%

Notes:

(1) Elegance Trading (Shanghai) Company Limited is a wholly foreign owned enterprise for an operating period of 30 years up to 4 December 2038. As at 31 March 2009, its paid up capital was HK$1,500,000.

(2) Sa Sa Cosmetic (China) Company Limited is a wholly foreign owned enterprise for an operating period of 30 years up to 5 February 2035. As at 31 March 2009, its paid up capital was HK$50,000,000.

Financial Calendar

2008/09 Interim Results Announcement	27 November 2008
Payment of 2008/09 Interim and Special Dividends	24 December 2008
2008/09 Annual Results Announcement	25 June 2009
Closure of Register of Members (both days inclusive)	24-27 August 2009
Annual General Meeting	27 August 2009
Proposed Payment of 2008/09 Final and Special Dividends	1 September 2009

This 2008/2009 annual report ("Annual Report") is available in both English and Chinese. Shareholders who have received either the English or the Chinese version of the Annual Report may request a copy in the language different from that has been received by writing to the Company's Hong Kong branch share registrar ("Branch Share Registrar"), Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.

The Annual Report (in both English and Chinese versions) has been posted on the Company's website at www.sasa.com. Shareholders who have chosen to rely on copies of the Company's corporate communication ("Corporate Communication"), including but not limited to its directors' report, its annual accounts together with a copy of the auditors' report and, where applicable, its summary financial report, its interim report and, where applicable, its summary interim report, a notice of meeting, a listing document, a circular and a proxy form, posted on the Company's website in lieu of the printed copies thereof may request the printed copy of the Annual Report.

Shareholders who have chosen to receive the Corporate Communication using electronic means through the Company's website and who for any reason have difficulty in receiving or gaining access to the Annual Report posted on the Company's website will promptly upon request be sent the Annual Report in printed form free-of-charge.

Shareholders may at any time choose to change their choice as to the means of receipt (i.e. in printed form or by electronic means through the Company's website) and/or the language of the Company's Corporate Communication by notice in writing to the Branch Share Registrar.

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