

SASA

making life beautiful

Sa Sa International Holdings Limited
莎莎國際控股有限公司*

Stock Code: 178

Annual Report 2012/13



* for identification only



Beautiful results for a beautiful you

Just as letters are sent to convey warm wishes and postcards to share loving thoughts, our annual performance is delivered like a delightful greeting card filled with the joy of our success.

We offer premium solutions to bring out your beauty, and our beauty shows in the strong performance that we take pride to present to you year after year.

Now, more than ever, the beautiful you will continue to drive our success. Your support and love have always underpinned Sa Sa's accomplishments.



Contents

Corporate Profile	2		
Corporate Information	4		
Five-Year Financial Summary	5		
Footprint in Asia	8		
Awards and Recognition	12		
Milestones	20		
Chairman's Statement	24	Report of the Directors	145
Management Discussion & Analysis	30	Independent Auditor's Report	160
Financial Review	45	Consolidated Income Statement	162
Biographical Information of Directors and Senior Management	48	Consolidated Statement of Comprehensive Income	163
Environmental, Social and Governance Report	56	Consolidated Statement of Financial Position	164
Investor Relations Report	94	Statement of Financial Position	166
Corporate Governance Report	108	Consolidated Statement of Cash Flows	167
Enterprise Risk Management Report	140	Consolidated Statement of Changes in Equity	168
		Significant Accounting Policies	169
		Notes to the Consolidated Financial Statements	180
		Glossary	215



Corporate Profile

Sa Sa International Holdings Limited is a leading cosmetics retailing group in Asia. According to the "Retail Asia-Pacific Top 500" ranking of Retail Asia Magazine, KPMG and Euromonitor in 2012, Sa Sa is the largest cosmetics retail chain in Asia and one of the top ten retail groups in Hong Kong. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited in 1997 (Stock Code: 178) and its business covers Hong Kong and Macau, Mainland China, Taiwan, Singapore, and Malaysia, in which markets it employs close to 4,800 staff. Maintaining its position as the leading cosmetics retailing group in Asia is the Group's overriding vision. Our four-fold mission is to offer quality and comprehensive beauty solutions to our customers; to share success with our staff; to build long-term partnership with our suppliers; and to adhere to the principles of good corporate citizenship.

We deliver sustainable value to our shareholders, customers, employees, suppliers and the community in the short, medium and long term through the two distinct business segments in our business model:

Retail – Sa Sa strategically positions itself as one-stop cosmetics specialty stores with a business focus on beauty. The Group caters to the market by offering a large variety of quality products from over 600 beauty brands around the globe, covering a wide spectrum of products from skin care, fragrance, make-up, body care and hair care to health food, and stretching across a broad price range from mass to premium markets for customers' selection. The resulting product portfolio appeals to a highly diverse customer base. The Group sharpens its competitive edge through enhancing product portfolio, launching new products frequently, and expanding product variety and concept. Its extensive regional retail network currently comprises 249 "Sasa" multi-brand stores, as well as a La Colline specialty store, a Suisse Programme specialty store and nine Suisse Programme counters. 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 100 countries.

Brand Management – In addition to selling its own-branded products, the Group also acts as the sole agent for many international cosmetic brands in Asia. Since October 2002, Sa Sa has been appointed by a leading global prestige brand, Elizabeth Arden, as its sole agent in Hong Kong and Macau. The Group currently manages over 100 exclusive major beauty brands and is responsible for their brand building, promotion and distribution. This business accounts for 42.5% of Sa Sa's total retail turnover.



Competitive Edge

Unique positioning as a one-stop cosmetics specialty store with strong branding

Established since 1978, Sa Sa has built a widely recognised brand leveraging on its strong management team, well thought-out corporate strategies, and a robust balance sheet. We strategically position ourselves as one-stop cosmetics specialty stores with a business focus on beauty. Sa Sa continues to be the most distinctive and “top-of-the mind” cosmetics retail brand among local customers and PRC travellers.

Wide range of products meeting various customer needs

Sa Sa caters to the market by offering a large variety of quality products from over 600 beauty brands around the globe, covering a wide spectrum of products from skin care, fragrance, make-up, body care and hair care to health food, and stretching across a broad price range from mass to premium markets for customers’ selection. The resulting product portfolio appeals to a highly diverse customer base. The Group sharpens its competitive edge through enhancing product improvement, launching new products frequently, and expanding product variety and concept.

Personalised cross-brand beauty advice

A new beauty consultants (“BC”) receives over 240 training hours (including product knowledge; skin analysis; make-up application; selling techniques; supervisory skills; customer service and general management) before she becomes a qualified BC. Leveraging on up-to-date service skills and product knowledge, our BCs uphold professionalism in providing tailor-made beauty advice to our customers. Their personalised beauty services, together with multi-brand recommendations and advice on product usage, fulfill the delicate needs of our customers.

Extraordinary shopping experience

Sa Sa is well known as the pioneer of the open shelves retail concept. Our trendy and comfortable shopping environment allows customers to choose products of different brands at ease and freely, offering them an extraordinary shopping experience. Our relentless efforts to improve our trendy store design and product display provide more in-store interaction for customers, making the image of beauty brands more outstanding and the presentation of products more appealing.

Exclusive Distributorship



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr KWOK Siu Ming Simon, *BBS, JP*

(Chairman and CEO)

Dr KWOK LAW Kwai Chun Eleanor, *BBS*

(Vice-chairman)

Mr LOOK Guy (CFO)

Non-executive Director

Ms LEE Yun Chun Marie-christine

Independent Non-executive Directors

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

Dr LEUNG Kwok Fai Thomas, *PhD, BBS, JP*

Ms TAM Wai Chu Maria, *GBM[^], JP*

Ms KI Man Fung Leonie, *SBS, JP*

Mr TAN Wee Seng

COMPANY SECRETARY

Mr TSANG Sai Chung Kirk

HEAD OFFICE

14th Floor, Block B, MP Industrial Centre

18 Ka Yip Street

Chai Wan, Hong Kong

REGISTERED OFFICE

P.O. Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road, George Town

Grand Cayman KY1-1110

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Hong Kong

Tel: (852) 2980 1333

Fax: (852) 2810 8185

E-mail: is-enquiries@hk.tricorglobal.com

Website: www.tricoris.com

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Bank of Communications Company Limited,

Hong Kong Branch

Citibank, N. A.

Hang Seng Bank Limited

Industrial and Commercial Bank of China (Asia) Limited

Standard Chartered Bank (Hong Kong) Limited

Sumitomo Mitsui Banking Corporation,

Hong Kong Branch

SHARE INFORMATION

Stock code: 178

(The Stock Exchange of Hong Kong Limited)

INVESTOR RELATIONS

Corporate Communications and

Investor Relations Department

Sa Sa International Holdings Limited

8th Floor, Block B, MP Industrial Centre

18 Ka Yip Street

Chai Wan, Hong Kong

Investor Relations Hotline: (852) 2975 3638

Fax: (852) 2595 0797

E-mail: ir@sasa.com

CORPORATE WEBSITE

corp.sasa.com



SHOPPING SITE

www.sasa.com

[^] Effective 1 July 2013.

Five-Year Financial Summary

	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	(Note 1) Restated 2010 HK\$'000	(Note 1) Restated 2009 HK\$'000
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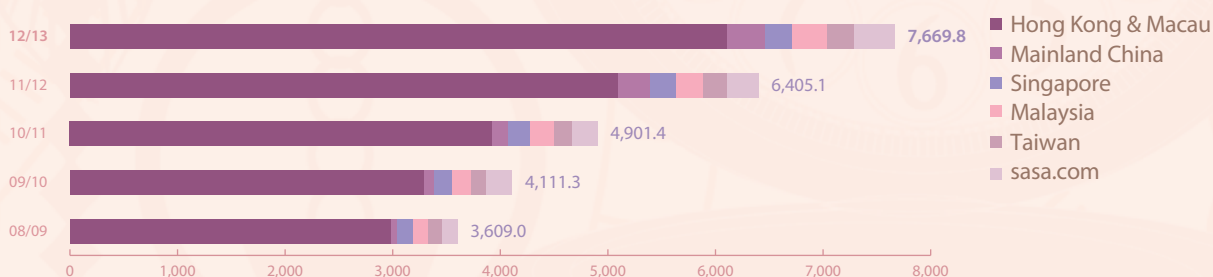
Consolidated Income Statement

Turnover	7,669,798	6,405,121	4,901,364	4,111,345	3,608,990
Gross profit	3,558,344	2,896,681	2,211,880	1,814,864	1,576,866
Gross profit margin	46.4%	45.2%	45.1%	44.1%	43.7%
Operating profit	987,169	828,374	608,267	459,324	370,907
Profit for the year	825,634	689,709	509,270	381,887	316,743
Profit margin	10.8%	10.8%	10.4%	9.3%	8.8%

Turnover

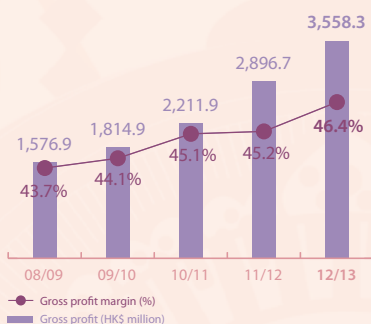
(HK\$ million)

CAGR[▲]:  18.9%

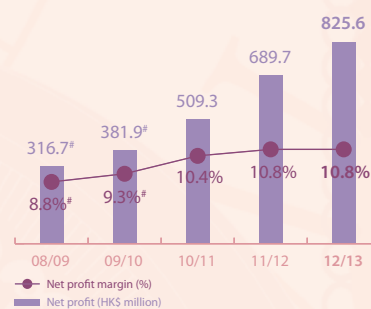


[▲] CAGR = Compound annual growth rate for the last five years

Gross Profit and Gross Profit Margin



Net Profit and Net Profit Margin



* As restated

Five-Year Financial Summary

	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	(Note 1) Restated 2010 HK\$'000	(Note 1) Restated 2009 HK\$'000
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Consolidated Statement of Financial Position

Total assets	2,797,241	2,466,500	1,876,511	1,569,485	1,408,912
Total liabilities	(821,767)	(835,676)	(523,818)	(384,711)	(291,856)
Net assets	1,975,474	1,630,824	1,352,693	1,184,774	1,117,056

Shareholders' funds

Share capital	282,691	281,467	280,253	139,131	138,125
Reserves	1,692,783	1,349,357	1,072,440	1,045,643	978,931
Total Equity	1,975,474	1,630,824	1,352,693	1,184,774	1,117,056

Consolidated Statement of Cash Flows

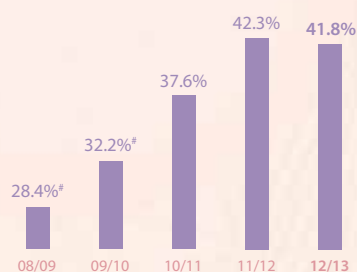
Net cash generated from operating activities	846,245	639,477	443,103	414,655	334,498
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Per Share Data and Key Ratios

Basic earnings per share (HK cents) (Note 2)	29.3	24.6	18.2	13.8	11.5
Diluted earnings per share (HK cents) (Note 2)	29.2	24.4	18.1	13.7	11.5
Return on equity	41.8%	42.3%	37.6%	32.2%	28.4%

Return on Equity

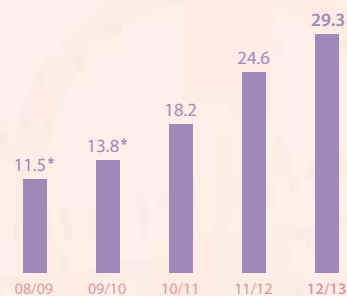
(%)



* As restated

Basic Earnings per Share

(HK cents)



* Adjusted for the 1:1 Bonus Issue

Five-Year Financial Summary

	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	(Note 1) Restated 2010 HK\$'000	(Note 1) Restated 2009 HK\$'000
Dividend per share (HK cents) (Note 2)					
Basic	7.5	5.5	4.0	4.0	4.0
Special	13.5	12.0	10.0	10.0	7.5
Total	21.0	17.5	14.0	14.0	11.5
Dividend payout ratio	71.9%	71.4%	77.1%	102.0%	100.3%
Dividend yield as at 31 Mar (Note 2)	2.8%	3.9%	3.5%	4.6%	9.5%
Closing share price as at 31 Mar (HK\$) (Note 2)	7.51	4.50	3.97	3.03	1.21
Price/Earnings (times)	25.7	18.3	21.8	22.0	10.5
Net asset value per share (HK\$) (Note 2)	0.70	0.58	0.48	0.43	0.40
Current ratio (times)	2.82	2.47	3.09	3.57	4.31
Total debt	–	–	–	–	–
Operational Data					
Number of retail outlets	260	249	205	173	150
– Multi-brand “Sasa” stores	249	227	181	150	125
– Single-brand stores/counters	11	22	24	23	25
Total gross retail area (sq. ft.) (Note 3)	572,075	512,833	367,443	298,449	244,829
Stock turnover days	110	124	109	90	84
Number of employees (rounding to the nearest hundred)	4,800	4,300	3,500	2,800	2,600

Note:

- 1) In FY2010/11, the Group had changed its accounting policy for measurement of leasehold building to cost less accumulated depreciation (the “cost model”) instead of fair value amounts less subsequent depreciation. This change meant that the building component and the more significant land component of property leases were measured on the same cost basis. The change had been applied retrospectively to remaining useful lives at the date of change of accounting policy.
- 2) Figures in 2009 and 2010 have been adjusted for the 1:1 Bonus Issue.
- 3) The information on retail space provided is intended to allow the reader to appreciate the growth in retail network and the size of retail space only. As there are significant variation in sales per square foot between stores of different store sizes, as well as stores in different countries and location, the retail space information provided should not be used to analyse the trend on sales per square foot.

Footprint in Asia

260 points of sales*

Mainland China

53 "Sasa" stores | 9 Single-brand counters



Taiwan

28 "Sasa" stores

Hong Kong & Macau

97 "Sasa" stores | 2 Single-brand stores

Malaysia

50 "Sasa" stores

Singapore

21 "Sasa" stores

Group Retail Network in Asia		
As at 31 March 2013		
	Multi-brand "Sasa" Stores	Single-brand Stores/Counters
Hong Kong & Macau	97	2
Mainland China	53	9
Singapore	21	-
Malaysia	50	-
Taiwan	28	-
Total	249	11

*As at 31 March 2013



spring



Awards and Recognition



Corporate
Governance &
Management



Dr Simon Kwok, was named **Entrepreneur of the Year** by *CAPITAL Entrepreneur*, testifying to his outstanding leadership and pragmatic approach to corporate governance as well as his spirit for innovation and commitment to the society.

Dr Simon Kwok, was awarded the **"2012 China Cosmetic Retail Industry Special Contribution Award"** by the Circulation Industry Promotion Centre of Chinese Ministry of Commerce and China Beauty Expo Organizing Committee in recognition of his contributions to China's cosmetics retail industry over the years.



Dr Simon Kwok, was awarded the **"2012 China Cosmetic Retail Industry Special Contribution Award"** by the Circulation Industry Promotion Centre of Chinese Ministry of Commerce and China Beauty Expo Organizing Committee in recognition of his contributions to China's cosmetics retail industry over the years.



Sa Sa was first named by *Forbes Asia magazine* as one of the **Asia's 200 Best Under a Billion** companies in 2012, an acknowledgement from the public and the business sector for the Group's achievements over the years.



Sa Sa was named **Corporate of the Year in Hong Kong in Asiamoney's Best Managed Companies Awards** for the third consecutive year, and Mr Guy Look was named **Best Executive in Hong Kong**.

500 the **2013**
LIST
of Hong Kong's power elite

Both Dr Simon Kwok, and Dr Eleanor Kwok made it to **the 500 list of Hong Kong's power elite ranked by Hong Kong Tatler** in 2013.

Awards and Recognition

Sa Sa was first named by *IR Magazine* as the **Asia Top 50 Best Investor Relations Enterprises** in its Investor Perception Study Asia 2012/13, landing at the 25th place. The Group also ranked the 20th among the **Greater China Top 30 Best Investor Relations Enterprises**, a significant jump from the 43rd place in the previous year.



Other rankings:

- the 5th in **Best Investor Relations** by a **Hong Kong Company**;
- the 8th in **Grand Prix for Best Overall Investor Relations – Mid or Small Cap** in the Greater China;
- the 5th in **Best in Sector – Consumer Goods & Services** in the Greater China;
- Mr Guy Look ranked the 7th in **Best Investor Relations by a CFO – Hong Kong**;
- Ms Tiffany Cheung, Director of Corporate Communications and Investor Relations, ranked the 5th in **Best Investor Relations Officer – Hong Kong**.



Sa Sa was named the **Best Investor Relations Company (Hong Kong)** for the second consecutive year by *Corporate Governance Asia Magazine* in the “Third Asian Excellence Recognition Awards”.



Sa Sa was accredited once again as a **Manpower Developer** in the “ERB Manpower Developer Award Scheme 2012-13” by *the Employees Retraining Board*, in recognition of the Group’s outstanding performance in manpower training and development.

Sa Sa will continue the award status for another two years from April 2013 to March 2015.



Hang Seng Corporate Sustainability Index Series Member 2012-2013

Sa Sa continued to be a **constituent member** of the **Hang Seng Corporate Sustainability Benchmark Index** in the second consecutive year in 2012.



Sa Sa was named as one of the **Top 10 Return on Equity stocks** in the “Top 100 Hong Kong Stocks 2012” list jointly organized by *Finet and Tencent’s QQ.com*.

Awards and Recognition



Sa Sa's 2011/12 Annual Report won the following awards:

- **Gold award** in the category of cover design for annual reports (artistic/illustrations) and the **Silver award** in the cosmetics retail category in the "Galaxy Awards 2012" organized by *International Academy of Communications Arts and Sciences/MerComm, Inc.*
- the **Honors award** in the category of interior design for annual reports in traditional format in the "Mercury Excellence Awards 2012-13" organized by *International Academy of Communications Arts and Sciences/MerComm, Inc.*



Sa Sa ranked 4th in the **Top Donors of the Community Chest 2011/12** for the second consecutive year, in recognition of the Group's dedication to promote fund-raising programmes of the Chest in the past year.



In the "Second Outstanding Corporate Social Responsibility Award" organized by *Mirror Post* in 2013, Dr Simon Kwok was awarded **Outstanding Entrepreneur Social Responsibility Award** in recognition of his contributions to CSR over the years. Sa Sa was also awarded **Outstanding Corporate Social Responsibility Award**.



Retail Brand
Recognition



Sa Sa is the largest cosmetics retail chain in Asia and one of the top ten retail groups in Hong Kong, according to the “Retail Asia-Pacific Top 500” rankings of *Retail Asia magazine*, *KPMG* and *Euromonitor* in 2012.



Sa Sa was honoured with the **Judging Panel Grand Prize** in the Hong Kong Personal Care Retail category and **Best Socially Responsible Employer** of *Ming Pao’s* “Prestigious Corporate Brand Awards 2012”, marking the Group’s 6th consecutive year to be recognized at the Awards.



Sa Sa was awarded by *East Week* the “Greater China Super Brands Award 2012” in recognition of the Group’s brand achievement and its excellent performance in the Greater China.



Sa Sa was awarded by *TVB Weekly* the “Outstanding Corporate Image Award 2012”.



Sa Sa was named by CMN (China Media Network) and Hong Kong and Macau Individual Visit Scheme Organizing Committee as the “2012 Most Popular Hong Kong and Macau Brand” in the cosmetics industry category.

Awards and Recognition

Sa Sa was honored to receive the **The Most Popular Cosmetic Shop** in the “**The Most Popular Hong Kong Bright Consumer Brands**” jointly organized by Hong Kong Metro Finance and Shenzhen Media Group Music Frequency.



Sa Sa was among the **top ten merchants** in “**2012 Most Popular QTS Merchant Award Online Voting**”, an online voting campaign in Mainland China, jointly organized by Hong Kong Tourism Board, Quality Tourism Services Association and Hunan TV.

sasa.com was awarded “**Google Export Award in 2012**” for its outstanding export strategy in the past year.

sasa.com received the “**Google Annual Partner Award**” for its continued support over the years.

In the 3.15 Consumer Report published by China Quality Daily, Sa Sa is **one of the consumer trusted companies**.

Sa Sa is a **winner** in the “**Yearly Best Word of Mouth Campaign**” organized by Bea’s Up, a Japanese fashion magazine.

Sa Sa was awarded the “**Fair Price Shop Award 2012**” by the Ministry of Domestic Trade, Co-operatives and Consumerism of Malaysia.



In the “2012 Mystery Shoppers Programme” hosted by the *Hong Kong Retail Management Association*, Sa Sa’s exclusive brand La Colline specialty store was the first to win the **Excellence Award**. It was also awarded the **Service Retailers of the Year** in the Beauty Products/Cosmetics Category for the eighth consecutive year.

Besides, La Colline store was named the **Service Industry Leader** for the period of July to September 2012 earlier.



Suisse Programme shop was awarded the **Service Category Leader** in the Beauty Products/Cosmetics Category in the “Mystery Shoppers Programme for the Period of November 2012 to January 2013” organized by the *Hong Kong Retail Management Association*.



Ms Ikiy Zhang, Sa Sa’s beauty consultant, embodied the Group’s quality service philosophy and won the “2012 **Service and Courtesy Award**” in the Junior Frontline Level of the Beauty Products/Cosmetics Category.

In the “**Excellent Service Award 2012**” organized by the Singapore Retailer Association, Sa Sa received 39 **Gold Awards** and 27 **Silver Awards** in terms of customer compliments.



Ms May Leung, Assistant Supervisor of Sa Sa store, won an **Individual Award** in the Counter Service category in the “**Customer Service Excellence Award 2012**” organized by the Hong Kong Association for Customer Service Excellence.



Sa Sa was recognized for the fifth time as the **Free Walkers’ Choice** at “the **Hong Kong Service Awards 2013**” organized by *East Week magazine*, indicating the Group’s leading position in the sector over the years.



Sa Sa was awarded the “**Smiling Enterprise**” certificate from the Mystery Shopping Providers Association in recognition of Sa Sa’s quality services in the cosmetic retail industry.

Awards and Recognition

Awards
Presented to
Sa Sa's Exclusive
Products:



Hong Kong Cosmopolitan Best of the Best Beauty Awards 2012

La Colline White Flash White Intensive Treatment
Best Spot Treatment Product
GoodSkin Labs Z-Pore™ Instant Pore Refiner
Best Pore Minimizing Product

Men's Uno Regional Grooming Awards 2012

NATIO Maximum Energising Body Wash
Best Shower Gel

Jessica Code Excellence Award 2013

Suisse Programme Collagex Premier Intensive Cream
Excellence in Face Firming Cream Award

Mainland China

Bea's UP Beauty Award 2012

Neogence Hyaluronic Acid Hyaluronic Hydrating Acid Essence
Annual word-of-mouth award
Méthode Swiss Thermal Therapy Thermal Oxygen Overnight Moisture Mask
Annual word-of-mouth award
Suisse Programme Boosting Solution
Annual word-of-mouth award

Biteki New Mascara Competition 2012

Cyber Colors Gemstone Ex Volume Waterproof Mascara
Winner of longest mascara

Singapore Harper's Bazaar 2012

SkinPeptoxyl Skinlight Derma-Renewal 3-Minute Peel
Best Skin Retexturing Peel
GoodSkin Labs Z-Pore™ Instant Pore Refiner
Best Pore Refining Base
GoodSkin Labs Eyliplex-2™ Eye Lift Circle Reducer
Best Eye Balm
Hadatuko Marine Collagen Drink 10,000 mg
Best Radiance Solution

The Singapore Women's Weekly - Best Beauty Buys 2013

GoodSkin Labs Z-Pore™ Instant Pore Refiner
Best Pore Primer
Méthode Swiss Thermal Oxygen Soothing Eye Cream
Best Eye Cream
Neogence Extreme Pore Reducing Serum
Best Pore Minimizing Treatment
Neogence Extremely Off Heads Serum
Best Pore Minimizing Treatment
Neogence Hylauronic Acid Hydrating Facial Wash
Best Cleanser - Normal Skin
Suisse Programme Gigawhite Supreme White Radiance Treatment
Best Intensive Dark Spot Busting Treatment



Malaysia

Malaysia Women's Weekly Best Beauty Buys

- Cyber Colors Gentle Eye Make Up Remover*
Cyber Colors
Best Eye Makeup Remover
- Méthode Swiss Thermal Oxygen Overnight Moisture Mask*
Best Anti-Aging Mask
- Suisse Programme Gigawhite Collagex Absolute Eye Care System*
Best Anti-Aging Eye Treatment

Harper's Bazaar Beauty Awards

- Suisse Programme Cellular Boosting Solution*
Best Lotion

CLEO Beauty Hall of Fame

- Neogence Hyaluronic Acid DNA Moisturizing Lotion*
Best Anti-aging Toner

Taiwan

Cosmopolitan The Counter & Clinical Beauty Awards 2012

- Suisse Programme Cellular Boosting Solution*
Special Care

Beauty Awards 2012

- GoodSkin Labs Eyliplex-2™ Eye Lift Circle Reducer*
Eye Care Award
- GoodSkin Labs Tri-aktiline™ Instant Deep Wrinkle Filler*
Anti-aging Award

BAZAAR Anti-aging Awards 2012

- Skinpeptoxyl Advanced Eye Lifter*
Best Eye Cream Category

Men's Uno Awards 2013

- NATIO Maximum Energising Body Wash*
Best Body Wash

Milestones



1978

- Mrs Eleanor Kwok and Mr Simon Kwok began their cosmetics retail business from a 40-sq. ft. "Sasa" counter in Hong Kong.



1990

- First "Sasa" standalone high-street store in Causeway Bay, Hong Kong.

1992

- First branch store in Tsim Sha Tsui, Hong Kong.

1997

- Listed on the Main Board of The Stock Exchange of Hong Kong in June with an oversubscription rate of more than 500 times.
- First store in Macau, Taiwan and Singapore.



1998

- First store in Malaysia.

2000

- Opening of the La Colline specialty store.
- Launch of sasa.com to offer round-the-clock on-line shopping of beauty products.



2002

- Appointed as sole agent for a leading global prestige brand, Elizabeth Arden, in Hong Kong and Macau.



2005

- First Mainland store in Shanghai, China.

2006

- First Suisse Programme beauty counter in Mainland China.



2008

- 30th anniversary of the Group.
- The Group's 100th store in Asia.

2009

- First Suisse Programme specialty store in Hong Kong.

2010

- Opened "Sasa" store in Tianjin, Yichang, Ningbo, and Shaoxing, with footprint in more than 10 cities in Mainland China.



2011

- Opened "Sasa" stores in Qingdao, Shenyang, Zhenjiang, Yinchuan, Xiamen, Shijiazhuang, Zhengzhou, Fuzhou, Changzhou, Guangzhou, Taizhou, Taiyuan and Daqing, with footprint in more than 20 cities in Mainland China.
- The Group's 200th store in Asia.
- Became a constituent member of the Hang Seng Corporate Sustainability Benchmark Index.



2012

- First store in Dalian, Jinjiang and Harbin, China.
- Opening of Asia's largest flagship store in Jordan, Hong Kong, with 12,000 sq. ft.

2013

- 35th anniversary of the Group.





Méthode **SWISS**
BEAUTY CARE





Chairman's Statement



↑ 19.7%

HK\$7,669.8 million

The Group's turnover

↑ 19.7%

HK\$825.6 million

The Group's profit for the year

46.4%

The Group's gross profit margin

260 Outlets

In Asia

I am delighted to report that Sa Sa International Holdings Limited continued to deliver a satisfactory performance with solid growth in the Group's year ended 31 March 2013 (the "fiscal year"). The fiscal year was another record one for the Group as turnover rose 19.7% to HK\$7,669.8 million, our profit increased by 19.7% to HK\$825.6 million and our footprint across the region was extended through a network of 260 stores. This very welcome progress also marks the celebration of our 35th anniversary and affirms our position as the leading and most preferred cosmetics retailer in Asia.

The Group is committed to generating satisfactory and consistent returns to our shareholders. The Board of Directors is pleased to propose a final dividend of 5.0 HK cents per share and a special dividend of 9.0 HK cents per share, amounting to a total annual dividend for the fiscal year of 21.0 HK cents per share after taking into account the interim dividend of 2.5 HK cents per share paid together with a special dividend of 4.5 HK cents per share.

Market Perspectives

We have witnessed a remarkable evolution in the cosmetics industry over the past decades. Cosmetics and beauty products have become more of a necessity for daily life rather than simply a luxury item, which means that the cosmetics industry has shown increasing resilience to changes in the economic climate and now consistently outperforms the overall market.

In Hong Kong, day trippers now outnumber overnight visitors from the Mainland and represent more than half of all tourist arrivals from the Mainland. At the same time, the retail market continues to benefit from the overall robust growth in Mainland tourist visitors. Since Mainland Chinese day trippers have lower purchasing power than long-haul overnight visitors, who prefer buying daily necessities, we have made strenuous efforts to research and re-map our product strategy to achieve more effectiveness and efficiency, such as offering more lower price products. This flexible strategy helps us to capture growing demand while strengthening our sales platform. Our continuous efforts to satisfy our customers' needs by enhancing our product portfolio and services have earned us the trust and loyalty of both local customers and travelers, and hence sustained the Group's steady sales growth.

To accommodate the structural change in Mainland tourist patterns, Sa Sa has made strategic adjustments to our retail network by opening stores in locations that lie beyond the traditional shopping areas. This strategy has enabled us to meet new demand in areas where rentals are more reasonable and opportunities are abundant. It has always been our mission to satisfy our customers' needs and enhance our product offerings and services in a consistent manner. As a result, the fiscal year once more underlined our ability to satisfy the needs of local customers and tourists alike.

During the year, we recorded steady sales growth in markets outside of Hong Kong, which was supported by the prudent development of our retail network. The segmental contribution to turnover from markets beyond Hong Kong and Macau increased 19.5% from HK\$1,312.4 million to HK\$1,568.4 million. Our overall strategy is to continue to build our base for future growth beyond our Hong Kong core market. In pursuit of this aim, we are enhancing scalability through such measures as implementation of a Quality Management System ("QMS") throughout our operations to standardize workflows and documentation. This not only enhances operational efficiency but also helps us to achieve our business goals. Control processes have also been put in place to enhance management effectiveness and minimize risks.

In addition, we have continued to invest in our human resources and knowledge base to retain our edge and help us accelerate the growth of our business. The issue of understaffing is always a major challenge to retailers in Hong Kong. To reduce staff turnover and vacancy rates, we conducted sharing sessions for new recruits to strengthen team building and we launched staff satisfaction surveys to help us address career aspirations and personal development needs. For 12 consecutive years we have run a Management Trainee Programme in which each management trainee is empowered to follow a clear path towards achieving career satisfaction. In addition, the Group launches functional training and development programmes to upgrade staff competence.

Chairman's Statement

In the China market, we continue to build our foundation and scalability and to consciously adjust our strategies to the changing market landscape. We are committed to building on this platform and to reaping the rewards of such a dynamic and promising opportunity. In order to support our expansion and penetration in the market, we further strengthened the local management team of our operational clusters in the country. We also invested in marketing to support our owned brands in the market and for the first time we appointed a designated spokesperson for Suisse Programme in the Mainland China market.

During the year, we continued to build our network and grow our sales in Singapore, Malaysia and Taiwan. However, investments were made at a slower pace due to local market conditions. A major priority remained building the brand equity of Sa Sa through traditional marketing and digital promotional initiatives. In our e-commerce business, we successfully penetrated additional markets around the globe and continued to expand our customer base, which in turn led to sustained sales growth.

Looking Ahead

The next fiscal year will be challenging, with economic conditions remaining uncertain in many parts of the world, and it is likely that consumer sentiment will take time to recover. Fortunately, many major economies, including that of Hong Kong, have shown signs of stabilization in recent months and the cosmetics market has been relatively resilient. We therefore remain cautiously optimistic about the outlook for our business. We will respond to forthcoming market challenges with flexibility and decisiveness, and we will further expand our operations according to a strategy that is both measured and dynamic.

Leveraging on our unique positioning and the strong foundation of our Hong Kong core market, the Group is committed to building the Sa Sa brand and further developing our operations in overseas markets. Our aim is to achieve growth in market share and sales, and thereby increase the contribution of these markets to the Group. Our proven business model in Hong Kong has been successfully replicated in our Malaysia market, which has provided consistent and satisfactory returns to the Group over recent years. In order to enhance scalability to achieve sustained growth both now and in the future, we will continue to dedicate resources as well as the very latest IT technology to make our operational processes more efficient and to give us greater control throughout the Group.

Despite increasing rentals in most of our markets, the Group has continued efforts towards enhancing productivity and gross profit margin, as well as maintaining its store opening drive in order to build our retail network in a proactive and consequent manner. An exciting innovation for the Group has been the launch of our new lifestyle concept store format in Hong Kong, which reinforces Sa Sa's unique positioning as a provider of one-stop specialty stores with a focus on beauty. We believe this concept store will reinforce Sa Sa's brand image, generate more business partnerships with international brands, and develop a broader and more loyal customer base.

Looking ahead, we will maintain our strong emphasis on brand management, offering the most enjoyable shopping experience with the highest quality products to our customers. We will continue to strengthen the long-term brand image of our owned brands and to foster close partnerships with suppliers and beauty brands, providing them with all-rounded brand management services and solutions: from image building and marketing to sales and distribution.



During the year, the Group worked hard to reduce inventory levels. Following a successful review of our stock holding strategy over the past fiscal year, the number of inventory turnover days was significantly reduced by 14 days to 110 days. We will continue to adopt a cautious approach to managing our inventory risks and cash flow this coming year.

In line with Sa Sa's mission of "Making Life Beautiful", we are building a strong social responsibility culture within the company and the Group aims to continue spreading this message to the wider community. This past fiscal year marked a special breakthrough for the Group. We announced the launch of our new charity project in 2013, "Sa Sa Making Life Beautiful Charity Fund", which promises increased engagement and participation with the less privileged in our society. The first charity event in the coming year is the "Beautiful Hope" Young Women Project organized by Po Leung Kuk. Its aim is to instill more "beauty" and "happiness" into society by helping young women to develop a positive life attitude, and by encouraging all our stakeholders to value compassion for others.

Conclusion

The Group has been able to rise to the challenges of a constantly developing and fiercely competitive market due to the tireless energy and resourcefulness of our colleagues and our professional management team. It is my firm belief that our sturdy financial foundations, our resilience and responsiveness, our strategies for expansion and our cost control regime will enable us to meet any future challenges with strength and confidence. The Sa Sa Group has long navigated the cross-currents of variable economic conditions. We remain firmly on track to expand our business by sourcing high quality and innovative products throughout the globe, offering world-class customer services, delivering a uniquely satisfying shopping experience for our customers, and upholding our premier position within the cosmetics retailing industry in Asia.

I would to express special thanks to the entire family at Sa Sa, including both staff and management, for their outstanding loyalty and commitment to realizing the Group's vision and goals during the year. It is largely due to their loyalty and creativity that Sa Sa is able to consistently deliver on its promise to our shareholders to generate sustainable value both now and in the future.



Dr Simon Kwok, *BBS, JP*
Chairman and Chief Executive Officer
Hong Kong, 20 June 2013







Fragrances



Management Discussion & Analysis



During the fiscal year, the Group's turnover rose 19.7% to HK\$7,669.8 million as compared to HK\$6,405.1 million in the previous year. The Group's performance benefited from the strong performance of our Hong Kong and Macau core markets. Retail sales in Hong Kong and Macau increased by 20.8% year-on-year from HK\$4,938.1 million to HK\$5,965.9 million whereas turnover in Mainland China grew to HK\$356.3 million from HK\$290.7 million, representing an increase of 22.6% year-on-year. The Group's retail network expanded from 249 to 260, a net increase of 11 stores.

The Group's profit for the year was HK\$825.6 million, a rise of 19.7% over the HK\$689.7 million achieved in the last fiscal year. Basic earnings per share was 29.3 HK cents, as compared to 24.6 HK cents in the previous year. The Group's gross profit margin for the fiscal year increased to 46.4% from 45.2% last year. The Group's net profit margin was maintained at 10.8%. Final and special dividends per share proposed are 14.0 HK cents.

The year saw a number of outstanding achievements. In September 2012, the Group was included as a constituent member of Hang Seng Corporate Sustainability Benchmark Index for the second consecutive year. The Group was named by Forbes Asia as one of "Asia's 200 Best Under a Billion". Sa Sa was also named "Best Managed Company" in the category of Hong Kong-Small Cap and Hong Kong-Medium Cap at Asiamoney's Best Managed Companies awards for the third consecutive years. The Group's Chief Financial Officer and Executive Director, Mr Guy Look, was named "Best Executive in Hong Kong" at the same event. Sa Sa was recognised as the "Best Investor Relations Company (Hong Kong)" amongst 14 award-receiving companies in the 3rd Asian Excellence Recognition Awards 2013 organised by Corporate Governance Asia magazine. In addition, Sa Sa was included for the first time in the "Asia Top 50" in the Investor Perception Study Asia 2012/13 conducted by the authoritative IR Magazine, being awarded 25th place. The Group ranked 20th in the "Greater China Top 30" in the same study.



Market Overview

Hong Kong

In 2012, Hong Kong's GDP expanded by a modest 1.5%. The external sector remained a key drag on growth. The abrupt deterioration of the euro debt situation in mid-2012, recession in the eurozone economies, persistent tepidness in the United States economic recovery, as well as a slowdown in the Mainland and other Asian economies created a challenging business environment. According to government forecasts, the economy will grow by 1.5% to 3.5% in 2013, an acceleration of the growth rate in 2012, although still below the average trend growth of 4.5% over the past 10 years.

In 2012, Mainland tourist arrivals to Hong Kong increased by 24.2%. This robust growth was mainly driven by a 36.6% increase in same day Mainland tourists. The proportion of same day tourists to overall Mainland tourists has been steadily increasing and stood at 56.7% in 2012.

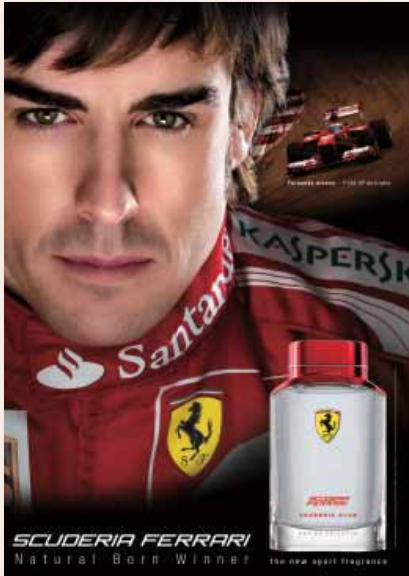
Growth of Medicines and Cosmetics remained solid and rose by 15.0% in 2012, outperforming the 9.8% growth of the overall retail market. A growth rate of 10.9% was recorded for Medicines and Cosmetics in the first quarter of 2013, against a growth rate of 13.9% for the overall market.

PRC Tourist Arrivals to Hong Kong



Source: Hong Kong Tourism Board

Management Discussion & Analysis



Mainland China

GDP growth in Mainland China slowed to 7.7% in the first quarter of 2013, but remained above the 7.5% full-year target for 2013 set by the PRC government. The slackening in growth was mainly caused by the government's self-initiated macroeconomic controls and by softness in external economies.

Mainland China's economy has also been adversely affected by the debt crisis in Europe and a hobbled recovery in the United States, its two key export markets. According to the National Bureau of Statistics of the People's Republic of China, retail sales growth has continued to moderate. From January to March 2013, retail sales growth stood at 12.4%, while for the same period last year, retail sales of cosmetics grew by 13.2%.

Singapore

In 2012, Singapore's GDP growth rate slowed to 1.3%, mainly due to weakness in the externally oriented sectors. The government forecasts GDP to expand by 1% to 3% in full year 2013. Medical Goods and Toiletries showed resilience and grew by 10.6% in 2012, compared to overall retail sales growth of 2.3%.

Malaysia

Despite a challenging external environment, Malaysia's economy recorded a higher growth rate of 5.6% in 2012, driven by stronger stimulus from domestic demand. This outweighed the negative impact of a weak external environment. The retail trade registered growth of 7.4% in 2012, supported by private sector spending. Bank Negara Malaysia forecasts that the country's economy will expand by 5% to 6% in 2013.

Taiwan

In 2012, Taiwan's economy expanded by 1.3%. The government predicts that GDP growth will accelerate to 2.4% in 2013 on the back of improvements in domestic exports and in consumer sentiment. In 2012, retail sales of Pharmaceutical and Medical Goods and Cosmetics posted flat growth, while overall retail sales growth recorded 2.4% for 2012.

Retail and Wholesale Business

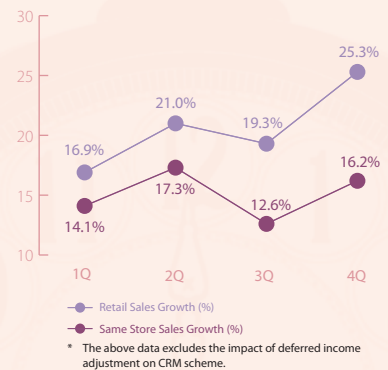
Hong Kong and Macau

During the fiscal year, Sa Sa maintained its leading market position in Hong Kong and Macau, which remained the largest contributor to the Group's turnover and profits. Retail sales increased by 20.8% year-on-year from HK\$4,938.1 million to HK\$5,965.9 million and same store sales rose 15.0%. Both the number of transactions and the average value per transaction increased.

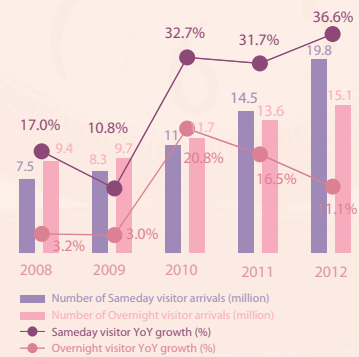
This performance was largely due to the resilience of cosmetics sales, which outperformed total Hong Kong retail sales and the Group's relative competitiveness, allowing us to gain market share at the same time. Despite a high baseline figure of almost 30% sales growth in the previous year, our retail sales maintained their upward path as the Group continued to benefit from the steady increase in sales to both local residents and Mainland tourists.

Sales from PRC customers also continued to grow. Mainland tourist arrivals increased by 24.2% for 2012, while overnight Mainland visitor arrivals and same-day in-town Mainland visitor arrivals rose by 11.1% and 36.6%, respectively. Mainland tourist spending was also boosted by high inflation in the Mainland and a weak US dollar. An increasing number of tourist arrivals come from lower-tier cities in China, with more modest spending power. Such tourists are more likely to be attracted by the mix of competitive prices and good quality for cosmetics found in Hong Kong. As a result, number of transactions increased by 18.6% and average value per transaction increased by 8.4% for our Mainland customers for the full fiscal year.

Retail Sales Growth & Same Store Sales Growth of Hong Kong & Macau in FY2012/13



Sameday and Overnight PRC Tourist Arrivals to Hong Kong



Source: Hong Kong Tourism Board



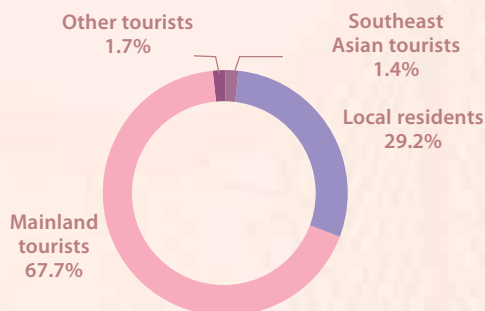
Management Discussion & Analysis



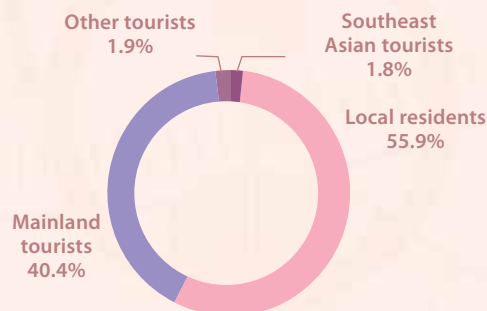
Sa Sa has continued to benefit from the growing demand for cosmetics and beauty products, and is well placed to capture rising Mainland tourist spending on cosmetics goods. Building on the proven success of Sa Sa's penetration in non-tourist areas, we continue to benefit from that strategy, particularly in the New Territories. Sa Sa's brand name and popularity allow us to penetrate good quality shopping malls in cooperation with major property developers. The Group has also benefited from the Customer Relationship Management ("CRM") scheme, which was launched in May 2011. This scheme effectively attracts more VIPs, builds customer loyalty and enhances sales to VIP.

We closely and consciously managed our costs over the past year and recorded manageable increments in operating costs. Shop rental costs as a percentage of sales increased from 10.1% to 10.3%, as a result of 20 new lease renewals that were subject to an approximately 35% increment along with the full year period impact of leases renewed in the previous year. Frontline and back office staff costs increased due to the strengthening of incentives to retain good and experienced staff in the midst of serious understaffing problems in the retail industry. Both these factors continued to drive up costs. The Group has closed down many stores over the past two years due to unjustifiably sharp rental hikes, which resulted in more new store openings. These in turn drove up renovation costs and depreciation.

**Hong Kong & Macau Retail Sales –
Customer Mix by Sales Value**



**Hong Kong & Macau Retail Sales –
Customer Mix by Transaction**



Overall, we pursued network expansion in a strategic and disciplined manner, taken into account market needs to satisfy our increasing customer base as well as cost considerations. There was a net increase of 10 "Sasa" stores during the year. As at 31 March 2013, there were 97 "Sasa" stores (including eight in Macau), one Suisse Programme specialty store and one La Colline specialty store.

Mainland China

During the fiscal year, the Group's turnover in Mainland China increased by 22.6% (or 21.9% in local currency) to HK\$356.3 million (equivalent to RMB290.1 million) driven by new store openings and continuous improvements in store and frontline staff productivity. Same store growth remained flat. There was a noticeable improvement in store productivity in the first three quarters of the fiscal year. Same store growth turned from negative to positive from the first quarter of fiscal 2011/12 to the first three quarters of fiscal 2012/13, and recurring profits at store level for our multi-brand "Sasa" stores for fiscal year 2012/13 were also recorded as compared to the loss in the previous year.

However, we recorded negative sales growth and same store growth in the fourth quarter of fiscal 2012/13 due to increased focus on own brand sales, and emphasis on brand building and avoidance of steep discounts. The modest performance of sales in the fourth quarter has highlighted some weaknesses in our ability to fully execute this strategy, in particular, staff training needs to be strengthened and service levels raised. Nevertheless, by building our brand on private labels and being more conscious in setting our promotion and pricing strategies, the impact on sales gradually turned positive. We believe that the long-term value of this market to the Group will be enhanced by this strategy.



Management Discussion & Analysis



During the fiscal year, we continued to invest in scalability of processes, systems, automation and management resources to support future growth. Although the rise in overheads could not be fully offset by an increased contribution from our stores, we successfully managed to narrow the reporting loss from RMB31.3 million in the previous fiscal year to RMB30.1 million in fiscal 2012/13. On a further positive note, we received better support from our fragrance supplier and organised the second Fragrance Fair and Awards in Shanghai to enhance Sa Sa's branding in the fragrance retail market.

Due to the relatively under-par macro environment in China during second half of the year, we flexibly adjusted our pace of store expansion. Throughout fiscal 2012/13, we continued to consolidate our retail network by closing down underperforming stores and department store counters. As at year end, the Group had a presence in 26 cities across 13 provinces in Mainland China with 53 "Sasa" stores and nine Suisse Programme counters in four regional clusters, 15 new openings and 21 closures of "Sasa" stores and Suisse Programme counters.

Singapore

During the fiscal year, turnover for the Singapore market grew by 5.5% (or 4.9% in local currency) to HK\$255.4 million (equivalent to SGD40.8 million). Same store sales grew 2.0% in local currency, and the gross profit margin increased to 53.6%. The slower sales growth was mainly due to the controls the Singapore Government imposed on foreign workers, resulting in lower productivity at the shop level.

The “Sasa” store network remained at 21 as at 31 March 2013, but we adopted a larger store size format and re-positioned our stores with a better image, more comfort, enhanced store appeal and a more satisfying shopping experience. This led to wider recognition by developers. The improved display of our products also meant that we developed closer relationship with brand owners. We continued to strategically enhance our branding by unveiling a brand new concept lifestyle store at Jurong Point, the largest store in Singapore, and by renovating existing outlets with this new lifestyle concept. These initiatives were well received by our customers. Further marketing initiatives to boost sales included new product launches and events, road shows, more social media advertising, bloggers’ reviews and sample giveaways.

Malaysia

Turnover in our Malaysia market rose 24.0% (or 25.7% in local currency) to HK\$318.2 million (equivalent to MYR126.9 million). Same store sales grew 1.8% in local currency, and gross profit margin decreased to 50.7%. Marketing initiatives to boost sales included concerted efforts to build the “Sa Sa” brand and our exclusive brands through social media, partnership with shopping malls, vendors and the media, ambassador and public relations events, all in order to broaden our customer base. We strengthened promotional efforts for our exclusive body care brands to drive brand performance. The Group’s exclusive brand Collistar became one of the most popular brands in the Malaysia market.

The Group has been proactive in entering new markets in recent years. During the fiscal year 2012/13, we successfully extended our footprint to East Malaysia while adding five stores net. The stores further enhanced Sa Sa’s brand awareness and exposure in Malaysia. As at year end, there were 50 “Sasa” stores in Malaysia.



Management Discussion & Analysis



Taiwan

Turnover in the Taiwan market rose 12.7% (or 13.0% in local currency) during the fiscal year to HK\$254.6 million (equivalent to TWD966.3 million). Same store sales declined by 1.5% in local currency, while the gross profit margin increased from 44.1% to 44.4%.

The economy in Taiwan remained sluggish with weak consumer sentiment in 2012. Sales increased mainly due to new store openings. However, profitability was affected due to our inability to raise our gross profit margin. In order to help increase traffic and secure repeat purchases, we worked closely with local vendors to promote famous brand products. Sa Sa invited 32 famous fragrance brands to join the Sa Sa Fragrance Fair and Awards 2012, and the number of participating brands recorded a historic high. This further strengthened our position in the fragrance market in Taiwan. The Group added a net of two stores during the year. As at 31 March 2013, there were 28 "Sasa" stores in Taiwan.

E-commerce – sasa.com

Turnover for sasa.com amounted to HK\$383.9 million, a rise of 29.2% over the previous fiscal year. Last fiscal year the Group successfully opened up new markets, and this fiscal year we continued to penetrate into these diversified markets through localized marketing strategies. The operating margin was squeezed mainly due to the relocation of a warehouse during the year with the result that two warehouses had to be run in parallel. We also launched more promotions with discounts and free shipping to boost sales.

Sales growth and an increase in repeat customers were driven by successful reactivation of the CRM scheme, more targeted marketing efforts and enhanced sales channels. Special promotions such as a sponsored concert in Australia helped to build brand awareness in the region. A strong social media presence with high engagement rates and an active online community ensured that our brands remained well connected with loyal customers.

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 or distributor in terms of brand building, marketing, sales and distribution.

During the year, the Group's sales of owned brand, sole agent and exclusively distributed products, collectively referred to as House Brands, increased steadily by 22.0%, contributing 42.5% of the Group's total retail sales as compared to 41.9% for last year. Our strategy of allocating more sales and marketing resources to house brands with the greatest growth potential successfully drove strong sales growth of our own-branded and exclusively distributed products. We maintained our emphasis on closely following market trends by launching trendy and timely new products catering to different customer segments. An increase in the number of young and mass product offerings helped to drive the growth of our house brands. We will continue to implement our diversification strategy in the product categories as well as to broaden our appeal to segments such as young people and the home DIY sector.

In order to further strengthen our marketing platform, we appointed a new Suisse Programme ambassador. We also launched "Sa Sa" official QR codes in WeChat for our customers in Hong Kong, Mainland China and Taiwan as a separate e-commerce platform so that they can be updated with our latest events and offers.



Management Discussion & Analysis



Outlook and Strategies

The Group expects the coming fiscal year to be challenging. As yet there are no signs of strong recovery in the Chinese economy. However, our cosmetics business remains resilient, particularly in Hong Kong. We foresee continued sales growth due to the reliable quality and variety of our products and the desire of Mainland tourists to make wise choices in a weaker economic environment. Overall, the Group expects to experience continued growth momentum due to the strength of the Hong Kong market. Nevertheless, margin pressure remains due to cost pressures and the shortage of retail space and labour in the Hong Kong market. Other markets are also experiencing a shortage of retail staff, particularly Singapore.

Our record shows that the excellent operating model and positioning that we have achieved in Hong Kong can be expanded beyond Hong Kong to cover the Malaysia market. The Group has achieved above market performance and profitability in Malaysia comparable to our performance in Hong Kong. We aim to apply this successful model to the rest of our markets in order to generate satisfactory contributions to the Group. We will therefore continue to carefully expand our network in the region and to strengthen our brand and product portfolio through closer cooperation with beauty brand owners. This in turn will strengthen our position as the leading cosmetics retailing group in Asia.

As a constituent stock of the Hang Seng Corporate Sustainability Benchmark Index, the Group will make every effort to develop actionable strategies on sustainability, including incorporation of environmental consciousness measures into our operations.

Hong Kong and Macau

The major infrastructural projects that are currently underway in Hong Kong, such as the Kai Tak International Cruise Terminal, the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Hong Kong-Zhuhai-Macau Bridge and the expansion of Hong Kong International Airport, will significantly enhance Hong Kong's connectivity with the fast growing Pearl River Delta region and beyond. This integration will provide more ease and convenience for Mainland tourists to shop in Hong Kong, thereby cementing Hong Kong's position as the Mainland's "most popular shopping paradise".

The core business of Sa Sa is skincare and cosmetics and this segment has proven to be resilient. In our core market of Hong Kong, the Hong Kong Government forecasts a higher economy growth rate of 1.5% to 3.5% in 2013 as compared to 1.5% for the previous year. Local consumption should therefore provide us with reasonable growth. We expect that Mainland tourist spending on cosmetics in Hong Kong will continue to grow as the number of visitors steadily increases. This growth should give our Hong Kong business a further boost. With rental increases moderating, the Group will have an opportunity to increase our retail space in tourist locations.

The Group will continue with new store openings in non-tourist residential malls to capture the increasing influx of same-day tourists from southern China. Our new lifestyle concept store will help to build our brand, provide more value-added services to our customers, and offer a breakthrough collaboration with first tier international brands in a concession format. This win-win situation will expose new customer segments from international brands and tap the market segments served by our new landlords, and vice versa. The Group will continue to improve our house brand portfolio by ensuring that a series of promising own-branded and exclusive products is always ready in the pipeline. Our competitive edge will be further sharpened by enhancing the product portfolio, improving the quality of our service and by leveraging on marketing to further build our brands.



Management Discussion & Analysis



Mainland China

The Group will continue to invest in China to strengthen our presence and enhance scalability to support future growth in this fast growing cosmetics market. Based on our experience of rapid growth, we will consciously fine tune our strategies and adopt a lower cost and more efficient boutique store format for some of our new store openings. The Group will also focus on more best selling products and owned labels, and enhance cost efficiency.

Our operating model with a boutique store format will help enhance Sa Sa's penetration rate in Mainland China. This will enable us to gear up our rate of expansion pace and strengthen our network, particularly in prime locations. We are also aiming at increased penetration in existing lower-tier cities where the penetration rate is still low. We will continue to close down underperforming stores and counters.

In order to improve our scalability in this market, the Group will allocate more resources to build the management team and strengthen the back end support team as well as our cluster and district management teams. We will place particular emphasis on strengthening recruitment and increasing training sessions, with a focus on enhancing execution. We aim to open a regional office in Guangzhou to support purchasing, marketing, training, human resources and our online business in Mainland China. The automation of processes and systems will continue. We will also continue to invest in building brands for private labels via different means, for example with the appointment of a new ambassador for Suisse Programme, more public relations events in China and by leveraging the social media network.

The improvement of product offerings is one of our major priorities. We will add more owned label products and other new brands to build a more diversified brand portfolio. We believe performance will benefit from improved displays and cooperation on marketing and promotions. We will continue to maintain close relationships with local suppliers, major global and regional beauty group suppliers as well as beauty brands to secure more renowned international beauty brands. We will add more exclusive and owned label products to drive for a more diversified brand portfolio.

Overseas Markets: Singapore, Malaysia and Taiwan

In Singapore and Malaysia, the Group will continue to build local teams, product offerings and a tailored retail network to enhance the quality of service and our presence. While investing in and building our owned label products, we will also work closely with local suppliers to increase the productivity of their brands and our overall competitiveness.

In Singapore, we will continue to build scalability and profit potential through enlargement of our store size and integrating our new lifestyle concept into our stores. We aim to implement our new Target Management Sustaining System ("TMSS") to systematically improve productivity and the management of our stores and retail staff.

In Malaysia, we aim to identify high traffic locations for new stores and expand into new regions. We will strengthen professional training for staff and enhance our product portfolio by introducing new brands and products with strong potential.

In Taiwan, we will continue to build our network to strengthen our presence and future growth potential. Our sales do not notably benefit from the current influx of Mainland China tourists in tour groups. We believe that the benefits of the Mainland Chinese tourist flow will be better realized when the mix of individual travelers, as opposed to tour groups, improves.



Management Discussion & Analysis

E-commerce – sasa.com

The Group's key strategies for developing sasa.com include further exploring potential partnerships with top online shopping sites, increasing product offerings, strengthening core competitiveness and further enhancing our retention efforts through such means as building our CRM scheme. We aim to increase our social media presence and further integrate social media with our marketing campaigns. At the same time, well targeted sales campaigns will help us to further segment customers and product categories.

Conclusion

The Group has established an enviable record of sustainable success over the years in all economic circumstances. As we strengthen and replicate our successful business model from our core to our Asian markets, this resilience and adaptability to constantly evolving challenges continues to be the hallmark of our financial platform and of our management's long-term vision. Although we have seen moderation in the growth of the Mainland China economy, as well as in our other markets, we are confident that our proven strategies, our commitment to forward planning and our inherent flexibility will enable Sa Sa to continue to deliver sustained growth for the coming fiscal year and beyond.



Financial Review

Capital Resources and Liquidity

As at 31 March 2013, the Group's total equity funds were HK\$1,975.5 million including reserves of HK\$1,692.8 million. The Group continued to maintain a strong financial position with cash and bank balances of HK\$752.1 million. The Group's working capital was HK\$1,442.3 million. Based on the Group's steady cash inflow from operations, coupled with sufficient cash and bank balances and readily available banking facilities, the Group has adequate liquidity and financial resources to meet the working capital requirements as well as to fund its budgeted expansion plans in the next financial year.

During the year, the majority of the Group's cash and bank balances were in Hong Kong dollar, Renminbi, Malaysian Ringgit, Singapore dollar, Taiwan dollar, Euro and US dollar and deposited in reputable financial institutions with maturity dates falling within one year. This is in line with the Group's treasury policy to maintain liquidity of its funds and continue to contribute a relatively stable yield to the Group.

Financial Position

Total funds employed (representing total equity) as at 31 March 2013 were HK\$1,975.5 million, which represented a 21.1% year-on-year increase.

The gearing ratio, defined as the ratio of total loans less cash and bank balances to total assets, was nil as at 31 March 2013 and 31 March 2012.

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 dollar, US dollar, Euro or Renminbi. Based on purchase order placed, the Group enters into foreign currency forward contracts with reputable financial institutions to hedge against foreign exchange exposure arising from non HKD/USD denominated purchases. These hedging policies are regularly reviewed by the Group.

Charge on Group Assets

As at 31 March 2013, no Group asset was under charge to a financial institution.

Contingent Liabilities

The Group had no significant contingent liability as at 31 March 2013.

Capital Commitments

As at 31 March 2013, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK\$229.7 million.





Cosmetics



Biographical Information of Directors and Senior Management

“For all the successes of Sa Sa, I wish to thank the Board of Directors and all Sa Sa colleagues. The Group could never be as accomplished as it is today without their untiring and devoted efforts.”



Biographical Information of Directors and Senior Management



* Member of the Audit Committee
Δ Member of the Remuneration Committee
§ Member of the Executive Committee
Member of the Nomination Committee
^ Member of the Risk Management Committee

EXECUTIVE DIRECTORS

Dr KWOK Siu Ming Simon^{§^}, *BBS, JP*

Chairman and Chief Executive Officer

Aged 60. 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 in June 1997. Over the past 35 years, Dr KWOK has played a leading role in transforming Sa Sa into a leading market player with a regional network of operations in Asia. Dr KWOK is currently a Committee Member of the Chinese People's Political Consultative Conference of Hubei Province, a member of Electoral Conference for the election of Hong Kong Deputies to the Twelfth National People's Congress of the People's Republic of China, a member of the Election Committee in the Wholesale and Retail subsector, the President, Councillor and Honorary Life President of the Cosmetic & Perfumery Association of Hong Kong, the Honorary President of the Federation of Beauty Industry (HK), the Honor President of International CICA Association of Esthetics-CIDESCO Section China, the Vice-chairman of the Quality Tourism Services Association Governing Council, the Honorary Founding President of the Professional Validation Centre of Hong Kong Business Sector, and the Honorary Life President of the Hong Kong Brands Protection Alliance. He is also a selected 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 and a board member and founding life member of the Hong Kong Polytechnic University Development Foundation. Dr KWOK received the "China Cosmetic Retail Industry Special Contribution Award" from Circulation Industry Promotion Centre of Chinese Ministry of Commerce and China Beauty Expo Organizing Committee in 2012. Dr KWOK was an awardee in The Directors of the Year Awards 2011 in the Listed Companies (SEHK – Non Hang Seng Index Constituents) category organised by the Hong Kong Institute of Directors, a 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 was conferred University Fellow by The Hong Kong Polytechnic University in 2012, received a degree of Doctor of Business Administration *honoris causa* from the Open University of Hong Kong in 2011, and a *honoris causa* doctorate degree in Business Administration from Lingnan University in 2008.

Dr KWOK is an active participant in the work of charities. He is a member (2009–13) and the Second Vice-President (2011–13) of the Board of Directors and a Campaign Committee Chairman (2012–13) of the Community Chest of Hong Kong, an Executive Board Member of the Hong Kong AIDS Foundation (2006–13), and an Honorary Advisor (since 2006) and the Co-chairman for the Organising Committee (2006 & 2009) of the Hong Kong Committee for the China AIDS Initiative.

Dr KWOK is the Chairman of both the Executive Committee and the Risk Management Committee of the Company, 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, the respective controlling and substantial shareholders of the Company. Both Dr Simon KWOK and Dr Eleanor KWOK have a 50% stake in each of 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 Company are set out in the "Report of the Directors". Save as aforesaid, Dr Simon KWOK does not hold any directorship in other listed companies in the past three years.



Biographical Information of Directors and Senior Management

Dr KWOK LAW Kwai Chun Eleanor^{Δ#5^}, BBS

Vice-chairman

Aged 59. A founder of the Group and a member of the Executive Committee, Remuneration Committee, Nomination Committee and Risk Management Committee. Dr KWOK has more than 37 years of 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, an Executive Committee Member of the Guangdong Provincial Women's Federation, the Honorary President and a Council Member of The Hong Kong Federation of Women ("HKFW") and a member of The HKFW Entrepreneurs Committee. Dr KWOK received "The Excellent Award in Hong Kong Beauty Industry 2012/13" from International CICA Association of Esthetic-CIDESCO Section China in 2012. Dr KWOK won the "Outstanding Women Entrepreneurs" award of the Hong Kong Women Professionals & Entrepreneurs Association in 2008, and received the "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 the Vice-chairman (2012–14) and was a director (2006–12) in the Board of Directors for Po Leung Kuk, the Vice President (2012-2013) and the Honorary Vice President (2006-12) of the Hong Kong Girl Guides Association, and was a patron of Caritas Fund Raising Campaign (2007–12).

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, the respective controlling and substantial shareholders of the Company. Both Dr Eleanor KWOK and Dr Simon KWOK have a 50% stake in each of 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 Company are set out in the "Report of the Directors". Save as aforesaid, Dr KWOK does not hold any directorship in other listed companies in the past three years.

Biographical Information of Directors and Senior Management

Mr LOOK Guy^{S^A}

Chief Financial Officer and Executive Director

Aged 56. Mr LOOK is the CFO, Executive Director, and a director of certain subsidiaries of the Group. Mr LOOK has over 31 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.). 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 Leadership 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, the Energy Advisory Committee and the Task Force on Manpower Development of the Retail Industry of the Government of the Hong Kong Special Administrative Region. He is also a member of the Departmental Advisory Committee for the Department of Management Sciences of the City University of Hong Kong.

Mr LOOK is a cousin of Ms LEE Yun Chun Marie-christine, a Non-executive Director of the Company. Details of his interest in the shares and underlying shares in the Company are set out in the "Report of the Directors". Mr LOOK was an Independent Non-executive Director of Café de Coral Holdings Limited, a company listed in Hong Kong, until his retirement on 11 September 2012. Save as aforesaid, Mr LOOK does not hold any other directorship in other listed companies in the past three years.

NON-EXECUTIVE DIRECTORS

Professor CHAN Yuk Shee*, PhD, SBS, JP

Independent Non-Executive Director

Aged 59. Appointed as an Independent Non-executive Director and the Chairman of the Audit Committee of the Company in November 1999. Professor CHAN is currently the President of the Lingnan University of Hong Kong. Previously, he had served as the Vice President for Academic Affairs and the Founding Dean of the Business School 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 a member of the Standing Committee on Judicial Salaries and Conditions of Service, the Public Service Commission, the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the HKSAR and the Supervisory Committee of the Tracker Fund of Hong Kong. Professor CHAN is also a Fellow and a Council Member of the Hong Kong Management Association. Details of his interest in the shares and underlying shares in the Company are set out in the "Report of the Directors". Save as aforesaid, Professor CHAN does not hold any directorship in other listed companies in the past three years.



Biographical Information of Directors and Senior Management

Ms KI Man Fung Leonie^{*A}, SBS, JP

Independent Non-Executive Director

Aged 66. Appointed as an Independent Non-executive Director of the Company in December 2006. Ms KI is an Executive Director of New World Development Company Limited, the Managing Director of New World China Enterprises Projects Limited and an Independent Non-Executive Director of Clear Media Limited. Ms KI has more than 36 years of 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 community and public services. She was the first Chief Executive of The Better Hong Kong Foundation. She is currently the Vice Chairman and council member of UNICEF, the Honorary Secretary of Wu Zhi Qiao (Bridge to China) Charitable Foundation, a life member of the Children's Cancer Foundation, a court and council member of Lingnan University of Hong Kong, 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. Save as aforesaid, Ms KI does not hold any directorship in other listed companies in the past three years.

Ms LEE Yun Chun Marie-christine

Non-Executive Director

Aged 53. Ms LEE has a proven leadership position in retailing, branding and marketing, with more than 15 years of experience. Ms LEE is currently an ambassador of Harry Winston (Hong Kong) Limited, focusing on sales, branding and marketing, and successfully launched its debut shop in Hong Kong. Harry Winston is a world famous jeweller specializing in luxurious jewellery and jewellery watches. Ms LEE is a founder of Sport Max HK Co Limited and Hope Sport Association, providing the highest standard of qualified and professional coaching in sports. She is also an advisory board member of Phoenix Property Investors (H.K.) Limited, a private equity real estate investment group focusing on first tier pan-Asian markets.

Previously, Ms LEE was a product manager of Shiatos Limited, an agent managing and distributing various prestigious European and international brands in Hong Kong. She was responsible for retailing and marketing, and successfully launched world famous high fashions in Hong Kong. She also worked for Citicorp International/Citibank NA as an investment advisor manager for high net worth individuals, and marketed loans for multinational corporations.

Ms LEE is committed to community work and is a founder of Sports for Hope Foundation, providing funding to highly-talented young underprivileged athletes who lack financial means to further their passion. Ms LEE obtained a Bachelor of Science in Biochemistry and Nutritional Sciences from Simmons College, Boston, United States. She is a cousin of Mr LOOK Guy, the Chief Financial Officer and Executive Director of the Company, and a daughter of Mrs LEE LOOK Ngan Kwan Christina, a Non-executive Director of the Company who retired in August 2012. Save as aforesaid, Ms LEE does not hold any directorship in other listed companies in the past three years.

Biographical Information of Directors and Senior Management

Dr LEUNG Kwok Fai Thomas^{*Δ#}, *PhD, BBS, JP*

Independent Non-Executive Director

Aged 64. Appointed as an Independent Non-executive Director of the Company in January 2000 and is the Chairman of the Remuneration Committee. Dr LEUNG has 30 years of experience in management consultancy and is an expert in business strategy, organisation and leadership 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 Government of the HKSAR and was formerly Chief Executive – Asia for Hay Group, one of the world's leading management consulting firms. Save as aforesaid, Dr LEUNG does not hold any directorship in other listed companies in the past three years.

Ms TAM Wai Chu Maria^{*Δ#}, *GBM[^], JP*

Independent Non-Executive Director

Aged 67. Appointed as an Independent Non-executive Director of the Company in June 2004 and is the Chairman of the Nomination Committee of the Company. Ms TAM is currently an Independent Non-executive Director of Guangnan (Holdings) Limited, Minmetals Land Limited, Nine Dragons Paper (Holdings) Limited, Sinopec Kantons Holdings Limited, Tong Ren Tang Technologies Company Limited and Wing On Company International Limited, all the shares of which are listed on the Stock Exchange. 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). 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, as well as a member of the Operations Review Committee and a member of the Panel of the Witness Protection Review Board of the Independent Commission Against Corruption. 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 the "Report of the Directors". Ms TAM was an Independent Non-executive Director of Titan Petrochemicals Group Limited, a company listed in Hong Kong, until her retirement on 29 June 2012. Save as aforesaid, Ms TAM does not hold any other directorship in other listed companies in the past three years.

[^] *Effective 1 July 2013.*



Biographical Information of Directors and Senior Management

Mr TAN Wee Seng

Independent Non-Executive Director

Aged 57. Appointed as a Non-executive Director of the Company on 11 March 2010 and was re-designated from a Non-executive Director to an Independent Non-executive Director on 26 June 2012. Mr TAN is a professional in value and business management consultancy. He is an Independent Director of ReneSola Ltd whose shares are listed on the New York Stock Exchange, an Independent Director of 7 Days Group Holdings Limited whose shares are listed on the New York Stock Exchange, a Non-executive Director of Xtep International Holdings Limited and an Independent Non-executive Director of Biostime International Holdings Limited and CIFI Holdings (Group) Co. Ltd., the shares of which are listed on the Main Board of the Stock Exchange. He is also a board member of Beijing City International School. Mr TAN has 35 years of financial, operation and business strategy as well as management experience and has also held various senior management positions in a number of multinational and Chinese corporations. From 2003 to 2008, he was an Executive Director, CFO and Company Secretary of Li Ning Company Limited, the shares of which are listed on the Main Board of the Stock Exchange. From 1999 to 2002, he was the Senior Vice President of Reuters for the China, Mongolia and North Korea regions, and the Chief Representative of Reuters in China. Mr TAN is a fellow member of the Chartered Institute of Management Accountants, United Kingdom, and a fellow member of the Hong Kong Institute of Directors. Save as aforesaid, Mr TAN does not hold any directorship in other listed companies in the past three years.

Biographical Information of Directors and Senior Management

SENIOR MANAGEMENT

Mr LAW Kin Ming Peter

Senior Vice President, Category Management & Product Development

Aged 57. Joined Sa Sa in January 1996, Mr LAW was appointed Senior Vice President, Category Management and Product Development in January 2008. He has more than 31 years of experience in the field of sales and marketing, 21 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 the Group's house 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 the brother of Dr KWOK LAW Kwai Chun Eleanor and the brother-in-law of Dr KWOK Siu Ming Simon.

Ms LOI Wei Sin Corina

Senior Vice President/ Country Head of Malaysia

Aged 53. Joined Sa Sa in October 1997, Ms LOI was appointed as Vice President/ General Manager of Malaysia in January 2001 and was 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 30 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 56. Joined Sa Sa as Senior Vice President of Information Technology in December 2004. She had 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.



Environmental, Social and Governance Report

Exploring the timeless beauty of our stakeholders





Contents

1	Exploring the timeless beauty of our stakeholders	58
2	Our Talents: The beauty of Sa Sa family interactions	59
	<i>The joy of our family unity</i>	
	<i>The beauty of providing our talents with a fruitful career</i>	
	<i>A rewarding and healthy workplace</i>	
3	Our Customers: The beauty of an enlightening customer experience	74
	<i>Beginning our journey from our customers' needs</i>	
	<i>Experience our solutions tailored to the unique you</i>	
	<i>Beauty enlightenment from the heart</i>	
	<i>The beauty of trust</i>	
4	Our Community: The beauty of a harmonious society	79
	<i>Focus on beauty – it is at the heart of what we do</i>	
	<i>Employee engagement – realizing the beauty of giving</i>	
	<i>NPO Partnership – beauty of delivering social value through partnership</i>	
5	Our Environment: The beauty of a sustainable natural environment	87
	<i>Revealing our green beauty internally – employee engagement</i>	
	<i>Approaching our sustainable beauty – measures and performances</i>	
	<i>Partnering for a sustainable future – external engagement</i>	
6	Self assessment grid against HKEx Environmental, Social and Governance Reporting Guide	92



Environmental, Social and Governance Report

1

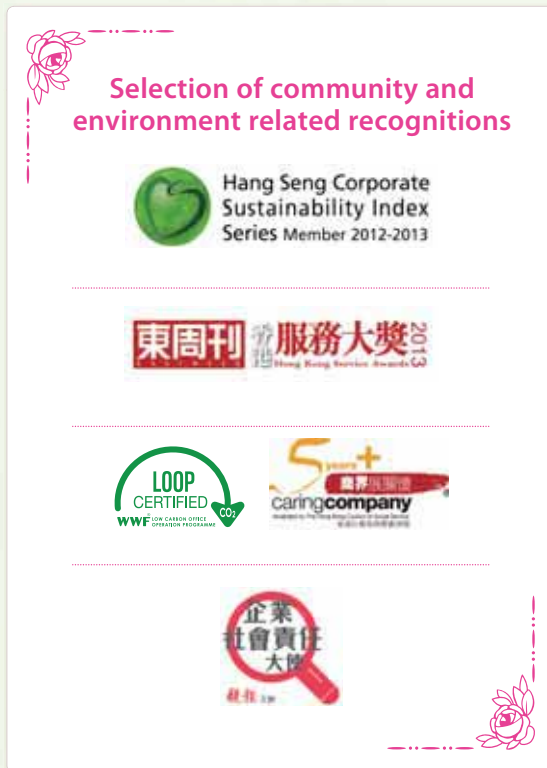
Exploring the timeless beauty of our stakeholders

FY2012/13 is a special year for Sa Sa. We are proud to celebrate our 35th year anniversary, a significant mid-point between three and four decades of commitment to “Making Life Beautiful” for our stakeholders. At this special moment in time it is appropriate for us to stand back a little, take a deeper look into the different perspectives of beauty for our stakeholders, and review how we are positioning ourselves to address their aspirations today and in the future.

In this Environmental, Social and Governance (ESG) Report, we continue to recognize talents, customers, community and environment as our primary stakeholders (shareholders will be addressed in other parts of the Annual Report); since we believe that the impact we have on each other is of the greatest importance and relevance to a world-class company in close touch with its stakeholders.

The concept of beauty might not have changed much over the years, but how this concept is realized in everything that Sa Sa does has certainly expanded in scope and perspective since we set out on our journey some 35 years ago. It has been a fascinating journey, and continues to be so as we explore the beauty of how our Sa Sa family interacts with the wider world: how we enlighten our customers through an unparalleled shopping experience and the resulting enhancement of their beauty; how we make a positive impact on society; and how we manage our environmental footprint to help create a sustainable future.

The fundamental financial accounting concept that applies to all types of “going concerns” extends to this ESG report, as we aspire to continue on our “Making Life Beautiful” journey, and in the process to make beauty truly timeless for all our stakeholders. Selection of community and environment related recognitions.



Selection of community and environment related recognitions

- Hang Seng Corporate Sustainability Index Series Member 2012-2013
- 東周刊 服務大獎 (East Weekly Service Award)
- LOOP CERTIFIED (Low Carbon Office Green Program)
- caring company (Member of the Hong Kong Green Office Club)
- 企業社會責任大獎 (Corporate Social Responsibility Award)

Note: Unless otherwise stated, this ESG Report covers our operations in Hong Kong and Macau only. Our Hong Kong and Macau operations represent the core of all Sa Sa operations, contributing around 80% of our group’s turnover in 2012/13.

2

Our Talents: The beauty of Sa Sa family interactions

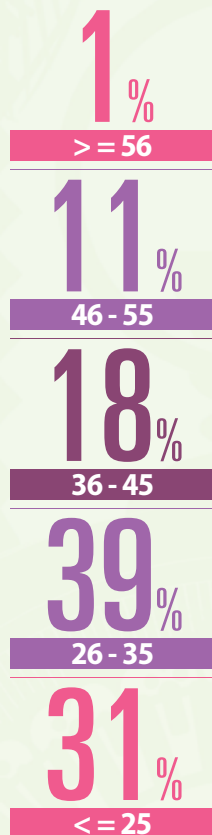
We see all our talents as part of the Sa Sa family. As our group headcount reaches a total of 4,782 people (as at 31st March 2013), the challenge of maintaining close interactions between all members of our family continues to both inspire and motivate us.

Staff number in each region

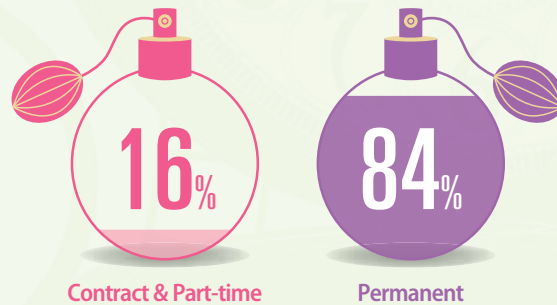


Diversity is a hugely important element in our talent pool, not only in terms of respecting individuals from different backgrounds, but also because the benefits of a diversity culture offer strategic value to all our operations. For example, the mixture of full-time, contract and part-time staff in our talent pool provides flexibility in a dynamic and rapidly changing market. The strong representation of women in our workforce, Board of Directors and Senior Management is reflective of and supports the composition of our customer base.

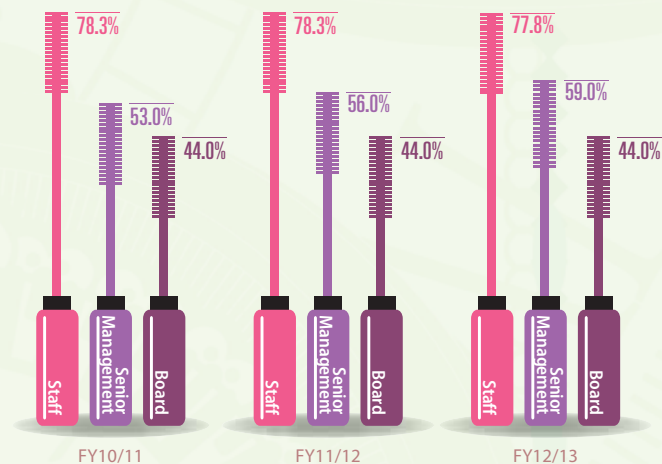
Age distribution



Employment contract type distribution



Percentage of female composition



2.1

The joy of our family unity

What is it like to be part of a family? To find a place where you feel you belong, where you are able to interact and be heard, and to be part of important gatherings. Some people import this feeling into their culture as an aspect of management. However for us, this is simply the way we are – and the “way we are” has been ingrained in our culture from the very beginning.

“I think it is important that our staff enjoy what they do. It is through genuine joy both in their work and in interaction with the people they meet that they realize a fruitful growth alongside the growth of Sa Sa.”

*Dr Eleanor Kwok, BBS
Vice-chairman*



Celebrate with our loyal family members

There are numerous long service individuals that belong to the Sa Sa family. In FY2012/13, we recognized more than 200 employees that have reached the 5, 10, 15, 20 or 25 year mark in their career with the company. The long service award ceremony is a joyful occasion, during which individuals are personally greeted and thanked by our Chairman and Vice-chairman for their commitment to the Group as it has grown and flourished. In addition to the joy of unity and belonging, we believe that the knowledge base and the wisdom that our long-term employees represent are some of the greatest assets held by Sa Sa.

“How long is 25 years in comparison to the lifespan of one? Is there something special in this organization that leads to this level of retention?”



Sasa Long Service Award Ceremony • 👤

20 years service award recipients



25 years service award recipients



Fans of the service award recipient



Some of the 10 years service award recipients



Some of the 15 years service award recipients



Environmental, Social and Governance Report

Interacting with our family and actualizing our vision

How important is it for one to feel there is interaction with an organization's management team, rather than being simply told what to do? At Sa Sa, we devote a great deal of attention to ensuring our talents are being adequately heard and that they are always connected with the vision of our organization.



Highlights from Annual Grand Breakfast Meeting

A simple breakfast chat – Grand Breakfast Meeting with 1,800 colleagues

A Grand Breakfast Meeting sharing session is held annually by our Chairman, to enable our colleagues to convey our organizational vision, strategy, priorities and outlook in a consistent manner. The focus this year was on the importance of talent growth and development to ensure that our performance is sustained.

Various individuals were also recognized at the meeting for their contribution to the Group.

We
listen

Welcoming of new family members – Induction programme to all new hires

Formal induction is provided to all our colleagues at all levels of seniority, whether they are joining the Sa Sa family on a full-time or part-time basis. This includes providing them with information regarding our organization's history, culture and the company's expectations of our talents. An Employee Handbook also formally sets out our various guidelines as well as a vast range of benefits to which individuals of various grades are entitled.



Management Trainee sharing session with Senior Management

A fresh insight – Sharing by Management Trainee

Our Management Trainee programme goes beyond being just another training programme. Issues from the Management Trainee programme are shared with our Chairman and our senior management in a systematic manner, so that appropriate follow-up actions can be taken and continuous dialogues can be facilitated.

We
share

We recognize



Covers of Sa Sa Quarterly Newsletter

Connecting individuals with our latest developments – Sa Sa Quarterly Newsletter

To reflect our increasingly dynamic operations and the events taking place within the organization, our Sa Sa Quarterly Newsletter was launched at the start of this year. The newsletter provides a consolidated platform for sharing interesting news with our colleagues, enhancing their sense of belonging to the Sa Sa family.

Dynamic engagement – Staff focus group session

In recognition of the challenging nature of the retail operation, regular focus group sessions are held with Junior Beautician Trainees, providing them with a support network to resolve their daily challenges. A structural feedback channel to the senior management is also provided on a regular basis, so that management is continuously alerted to the latest issues raised by frontline staff.

A wide spectrum of conversation – Dialogue in many form

Many subgroups of conversation are held on a regular basis to ensure that as many voices as possible can be channeled to a cross-section of our colleagues within the organization. These conversations include conducting a staff satisfaction survey, regular senior management meetings, supervisors meetings, shop night meetings, operational manager meetings etc.

We understand



Scene from a night meeting at one of Sa Sa's shops

Environmental, Social and Governance Report

Sharing our passion with the family

Our staff activities provide an informal platform through which our Sa Sa family can share their passions, whether they are in cooking, martial arts, sports or travelling.



Leisure and Cultural Services Department (LSCD) Corporate Game – **Bowling competition**
May 2012 • 👤



LCSD Corporate Game – **Basketball competition**
July 2012 • 👤



LSCD Corporate Game – **7-a-side soccer**
May 2012 • 👤



Movie night
July 2012 • 👤



Thai Boxing
June 2012 • 👤



Funky Dance
August 2012 • 👤



Like



Comment



Share



Like



Comment



Share



LSCD Corporate Game –
Track Race
September 2012 • 👤



Mooncake Making
September 2012 • 👤



LSCD Corporate Game –
Long distance running
October 2012 • 👤



Corporate Outing
October 2012 • 👤



Chocolate Tasting Class
November 2012 • 👤



Environmental, Social and Governance Report



Christmas Party
December 2012 • 👤





Cocktail Workshop
January 2013 •



Bakery Class
March 2013 •



Like



Comment



Share

Many of the above activities were organized by our cross-functional Staff Recreation Club (SRC), which was established in 2011. The club comprises employees who are dedicated to organizing social events for others to enjoy and to liaising with shops and restaurants to offer corporate discounts to our staff members.

Environmental, Social and Governance Report

Our family celebration

Our various annual get-togethers have become increasingly important as our organization grows, allowing us to take time out to celebrate and rejoice in what we have achieved collectively.



2013 Annual Dinner – Celebrating the 35th Anniversary of Sa Sa

“For all these achievements, I wish to take this opportunity to thank all my colleagues. The Group could never be as accomplished as it is today without your untiring and devoted efforts.”

Dr Simon Kwok, BBS, JP, Chairman and CEO





Chairman 60th birthday – A new start to continuous learning and improvement
To celebrate our Chairman's 60th birthday, around 200 colleagues were invited to his dinner banquet. The participants joined over 400 other friends of the Chairman from different industries, and all were treated just like family as he recalled his remarkable 60 years of personal and professional life.



Environmental, Social and Governance Report

2.2

The beauty of providing our talents with a fruitful career

Because of the nature of our industry, our talent pool is hugely diverse. Individuals range from recent high school graduates to more mature recruits that have completed multiple degrees at various world-class universities. It is part of our goal to provide a fruitful career to all our colleagues through different progression paths and development opportunities. Harnessing and harvesting the best of our talents is what we do as part of our aspiration to develop the very best talents.

Developing our talent – it is the core of what we do



With our diverse product offerings and challenging operations, a clear career path is provided to our frontline colleagues to give them valuable options and to motivate and retain them. At the same time, we aim to align their personal development with their career progression. A fully structured training programme is provided to our colleagues, covering such areas as product knowledge, customer interaction and shop management and other skill-sets related to productivity and efficiency in the office. This raises their ability to ultimately deliver an enlightening experience to our customers.

A total of over 60,000 hours of training has been delivered in FY12/13, recording a further increase of 4% compared to our FY11/12 hours.

Management Trainee Program – nurturing future leaders

An understanding of organizational dynamics is fundamental to successful leadership. Our management trainee programme is part of our commitment to developing the future leaders of Sa Sa and aims to equip them with knowledge of all the major aspects of Sa Sa's operations through rotation of duties. The result is that no matter where they are finally stationed at the end of their MT program, they will be able to work with an understanding of other departments' perspectives.



1,000 applications

20 final intake

By the numbers:

The 2013 Management Trainee (MT) program is in its 12th year and received more 1,000 applications during the year. The comprehensive selection process is separated into three stages.

There were more than 20 candidates for the final intake. Development consists of 10 months of a Junior Beautician Trainee program + 10 months of shop and office training.

Environmental, Social and Governance Report

Development to excellence

If beauty is an experience, then we would like to ensure that our customers can enjoy this enlightening beauty experience from their very heart, whether or not they have made a transaction in our shops. We constantly provide tools to our talents to measure their ability to provide such an experience, such as via our mystery shoppers' programme. Opportunities are also provided to our talents to benchmark themselves with some of the retail industry's best practitioners, through participating in various service-related competitions. The awards we receive are recognition of how much we excel in this endeavor.

La Colline shop was awarded the **Service Retailer of the Year in the Beauty Products / Cosmetics Category** for the 8th consecutive year, and was the first retailer to be awarded the **Excellence Award** in the 2012 Mystery Shoppers Programme organized by the Hong Kong Retail Management Association.



Sa Sa's beauty consultant Ms Ikiy Zhang was the winner of **Service and Courtesy Award – Junior Frontline Level in the Beauty Products / Cosmetics Category** organized by the Hong Kong Retail Management Association in 2012.

Ms May Leung, Assistant Supervisor of Sa Sa store, won an **Individual Award in the Counter Service Category** in the "Customer Service Excellence Awards 2012" organized by the Hong Kong Association for Customer Service Excellence.



An insightful introduction to a fulfilling career – internship at Sa Sa

Through a mixture of college and university partnerships and direct recruitment, Sa Sa provided a total of 16 internship placement across different functions of Sa Sa operations this past fiscal year. It is our belief that such opportunities for students to gain early exposure to the Group's activities whilst they explore their career interests are of great value to them as they shape their career path. Student placements include individuals from institutions such as University of Hong Kong, University of Kent, Hong Kong University of Science and Technology, University of New South Wales Australia and University of Toronto.

2.3






A rewarding and healthy workplace

Salary and compensation

We believe in the importance of recognizing employees' accomplishments, and thus we have many different, but equally valuable ways of rewarding our workforce. Our remuneration packages are reviewed regularly and differential rewards are granted to recognize and motivate our colleagues. As part of the performance management system, Key Performance Indicators ("KPI's) are adopted to ensure that the requisite directions and standards are set and met. There are many performance incentives for our employees, with discretionary bonus and share options being offered to outstanding performers. The total benefit expenses of the Group amounted to HK\$1,014.5m for the fiscal year.

Health and safety



Ensuring compliance with the required health, safety and labour standards is very important to Sa Sa.

-  A dedicated Health and Safety (H&S) Committee has been set up to address H&S issues, headed by the head of Human Resources with members from various other departments
-  A Series of workshops is provided to enhance staff awareness about relevant health and safety issues, including:
 -  First Aid Care in the Workplace Workshop by the Labour Department
 -  Manual Handling Operation and Prevention of Back Injuries by the Labour Department
 -  Training on Fire Extinguisher use by relevant supplier

Fatality and work injury

-  Work related injuries are being constantly monitored by the H&S Committee
-  A module on avoiding workplace injury has been included in staff induction
-  There were no cases of fatality due to workplace accidents in 2012/13
-  There were 38 cases of work related injuries in 2012/13, representing a decrease in work related injuries per staff member of 5.8%
-  An average of 0.24 days of sick leave were taken by our staff members per month

Employment practice, anti-bribery and whistle blowing

-  Sa Sa complies with local employment regulations at all locations of practice
-  Forced or child labour is not a significant concern for the beauty and cosmetic industry. Sa Sa is not engaged in any forced or child labour
-  To bring our operations in-line with our organization's commitment to the highest possible standards of openness, probity and accountability, a number of policies are set in place and conveyed amongst our staff. These include our Whistle-blowing Policy, Gifts and Entertainment Policy, Equal Opportunities Policy and Guideline on Prevention of Bribery Ordinance. Please refer to the Corporate Governance section of our Annual Report for further details

3

Our Customers: The beauty of an enlightening customer experience

Beauty is an experience. What we offer is an enlightening and beautifying experience to our customers through attentive services and the wide range of products that we offer. What is more satisfying to our Beauty Consultants than bringing a smile to our customers' face by assisting them to find exactly what they need in our store?

"Delivering quality customer service becomes simple when it is done from the heart. When we ourselves truly enjoy serving and sharing with our customers, the customers will also feel this joy themselves."

*Ms May Leung,
Assistant Shop Supervisor, winner of Customer Service Excellence award 2012*

The memory of a beautiful experience can be timeless, and becomes more distinct over time. It is the product and the process of satisfying a specific need and how it is being received that completes this memory.

"The beauty consultant provided me with some very useful product advice. Her service was really professional"

"With the high sales turnover of Sa Sa, I think the product will be fresher"

"They do offer a broad range of products, giving me plenty of choices"

"I felt like I am one of their friends"

"The shops are so well lit and pleasant to visit"

Comments from customer survey

3.1

Beginning our journey from our customers' needs

As the definition of beauty evolves, it is important that we constantly reposition ourselves in recognition of customer needs – and in some cases, even before the customer knows she needs it.

Beside listening to the needs of our customer on a day to day basis at our store front, we deploy a number of formal channels during the year that enable us to consolidate feedback in a process that will ultimately lead to a more stimulating and enlightening shopping experience for our Sa Sa customer.

Some of our formal customer engagement platforms

- Customer focus group
- Street survey
- Shop survey
- VIP and customer survey
- Customer feedback form
- Social media – such as Facebook, Sina Weibo, WeChat, Meilishuo, Instagram



3.2

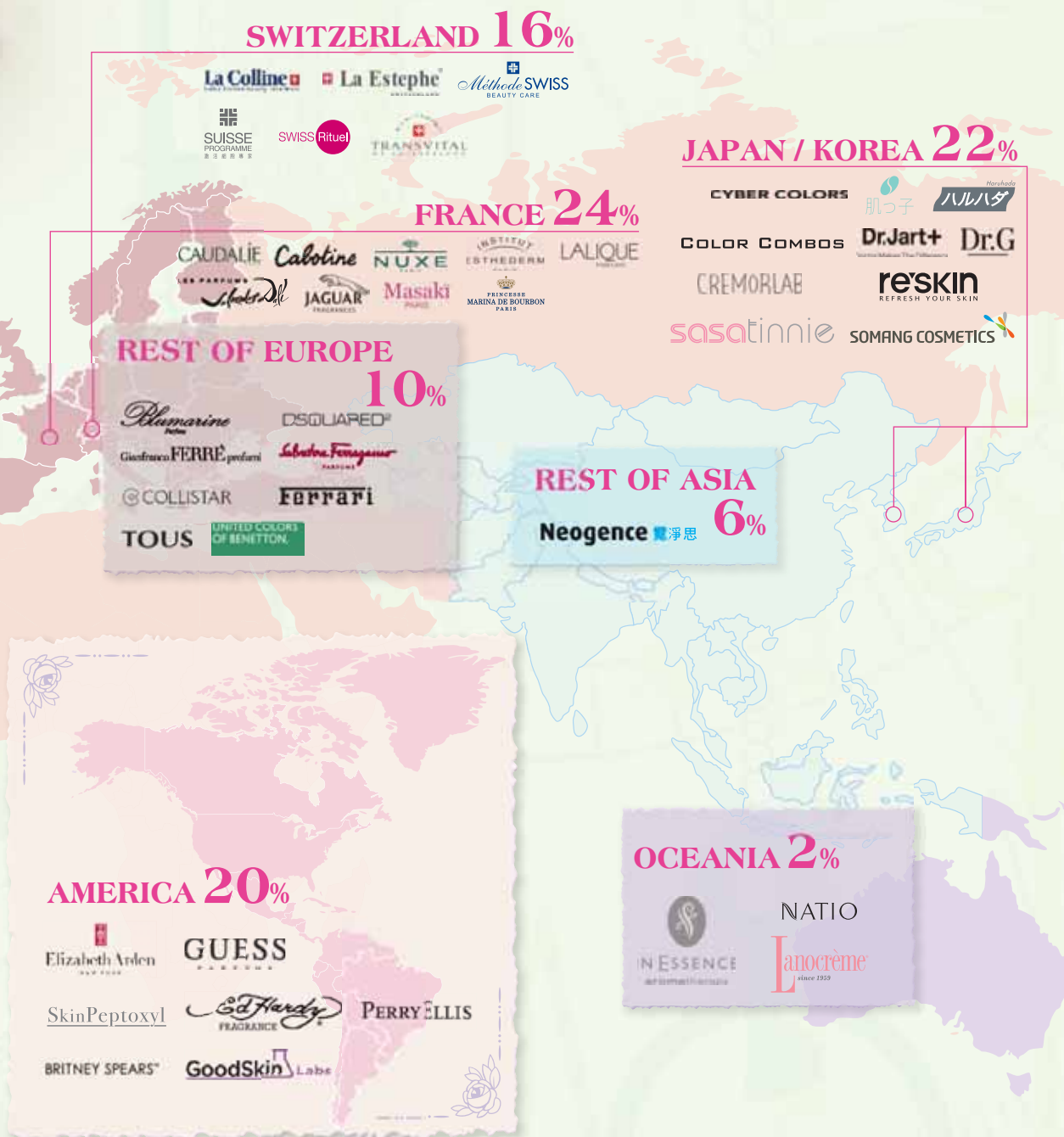
Experience our solutions tailored to the unique you

Carrying over 17,000 products on our shelves, we believe there is something that we can offer to each of our unique customers. We believe in providing them with equally enlightening experiences, whether they are a young student who comes in to look for a first ever lip-gloss or an elite and sophisticated corporate executive.

Our customer base also has a very wide geographical reach due to our strong presence in Hong Kong, Macau, Mainland China, Taiwan, Malaysia and Singapore. This physical coverage is supplemented by our Sasa.com website, which provides a platform for serving our loyal customers in more than 200 countries and regions that are not conveniently covered by our retail stores.

Environmental, Social and Governance Report

Serving customers' aspiration through global sourcing



Notes:





1. Figures in percentage indicate breakdown of origin of brands sold in Hong Kong and Macau in 2012/13. Figure may not add up to 100% due to rounding
2. Brands displayed in each region/country are not exhaustive
3. Origin of brands is based on general customers' perception on the origination of the respective brands which may be subject to factors including location of manufacturers or brand owner's headquarters, brand image and style of product design

3.3

Beauty enlightenment from the heart

In our service training, how to offer “service from the heart” is an important module that all our frontline colleagues must undergo. Customers can easily differentiate between greetings that are offered from the heart or in a superficial manner.

To manage not only the transaction, but the experience and relationship

-  Treating each customer as if they are friends. Listen and understand their real needs, and then share relevant knowledge and provide advice
-  It is a conversation
-  Seek immediate feedback from customer
-  Provide post sales service and stay connected



We also recognize that our customer base has become increasingly sophisticated and educated, with an increasing desire for knowledge about what defines and creates beauty. We have further strengthened our efforts to provide such knowledge through a variety of platforms, whether it is via our makeup tips on Road Show TV programmes, magazines, the Sa Sa Facebook Page, Sa Sa Beauty Code, online videos or makeup demonstrations at our mobile demonstration units.

1/	2/
3/	4/

1/ Mobile makeup demonstration unit
 2/ Makeup education on KMB Roadshow TV programme
 3/ Skin care knowledge sharing on YouTube
 4/ Beauty education on Pinterest



3.4

The beauty of trust

The trust from our customer is something that we will never compromise. Every care has been taken to ensure that only the best products arrive in the hands of our customers. This process starts from the very beginning in choosing the right products to stock; we also carry out a series of quality inspection tests on incoming products that arrive in our warehouse, ensuring that only genuine products conforming to specified quality standards are released to our shops and customers.

To ensure our customers are ultimately satisfied with their purchases, Sa Sa's operation in Hong Kong and Macau is voluntarily committed to a 30 days purchase guarantee, thereby ensuring that our customers are 100% satisfied. We also comply with the latest Personal Data (Privacy) Ordinance, ensuring the customer information we receive is only used for its intended purpose.

A well defined customer feedback protocol is also established, so that our operations centre can respond to product quality, safety or service quality issues in the most appropriate manner. Members of Senior Management are involved in this process, so that any incident will be attended to diligently attentively and on a timely basis. We believe that the safety of our customers should not be compromised by any means. There was not a single reported case of an unsafe product in 2012/13.

Any customer compliments or complaints are systematically logged and handled accordingly. In our Hong Kong and Macau operations, a total of 2,559 customer compliments and 209 customer complaints were reported over the past fiscal year. The customer compliment to complaint ratio was 12:1, a 31% improvement over last year and a reflection of our continued commitment to enhancing our service quality.

A series of steps have been taken this year towards accrediting various strategic elements of our operation with the ISO9001:2008 standard (See our Enterprise Risk Management Report for detail). Such certification will ultimately enable us to consistently serve our customer aspirations with efficiency and effectiveness on a sustained basis.

4

Our Community: The beauty of a harmonious society

As our business grows, we believe in the importance of giving back to the community so that it will flourish along with us. The success we enjoy today was founded on the basis of a harmonious and supportive community, and we want to ensure that such a healthy community relationship is sustained in the years to come.

To be a truly responsible organization in the community, we need to recognize what is needed by the community in order to ultimately enhance our social impact, leveraging on our core strengths wherever possible.

“If there is something that you ask me that I want to do for the community, then that will be the creation of tangible impacts.”

*Dr Simon Kwok, BBS, JP
Chairman and CEO*



4.1

Focus on beauty – it is at the heart of what we do

The launch of the “Sa Sa Making Life Beautiful Charity Fund” at our 35th year anniversary celebration marks an important milestone for Sa Sa, for it is a vehicle that will ultimately enable enhanced collaboration between the work of Sa Sa and various impactful NPOs. This charity fund will also provide a platform that draws together like-minded individuals in the organization, individuals that believe in their own ability to ultimately create a positive impact in the community to which we all belong. The first programme under the Fund, A partnership programme with Po Leung Kuk, was also launched on the same day, with the aim to help young people raise their self-esteem and reinforce positive thinking in the local community.



Vision

To help our community realize their inner harmony and true beauty, delivering the “Making Life Beautiful” philosophy from the heart of what we do.

Mission

The Sa Sa Making Life Beautiful Charity Fund was established at the 35th Anniversary of Sa Sa International Holding Ltd, with the aim of helping individuals in need to realize true beauty in their body, mind and soul. The Fund builds platforms for social welfare, social development and education, with the aim to enhance our support towards stakeholders such as women, children and the elderly and to preserve the natural environment.



The launching ceremony, with the presence of (from left to right) Ms Vivian Chow (celebrity), Dr Eleanor Kwok (Sa Sa Vice-chairman), Dr Simon Kwok (Sa Sa Chairman and CEO), Ms Melody Kwok (Strategy and Development Director), Ms Kate Tsui (celebrity)

4.2

Employee engagement – realizing the beauty of giving

Now that our group has grown to more than 4,700 employees, imagine what impact they will have on society if they become a true force for positive social change! It has become an important aspect of our work to identify meaningful ways to engage these talents, so that the culture of social responsibility will continue to flourish at the very core of Sa Sa – our people.

Enabler to realization

In order to strengthen our team's ability to better inspire individuals with a passion for charity, a formal "volunteer register" for our "Sa Sa Sincere" Volunteering Team was launched, providing a platform to continuously track and further the progress of our volunteering culture.

In some volunteering events, the line differentiating volunteer and beneficiary can sometimes be vague. One example is our participation in the Pak Tin Estate Elderly home visit program held by Po Leung Kuk in January 2013. This was an event in which over 60 colleagues and friends of Sa Sa took part in sending their warmth, greetings and small gifts to the elderly in need. Beside the positive feedback from the elderly, the volunteers reflected upon the importance of listening, care, spiritual wealth, courage and dedication after the visit, subjects they did not necessarily cross in their mind in their daily routine.





Sasa

Po Leung Kuk Pak Tin Estate Elderly Home Visit • 👤



Becky (SSDC): ..., I felt that being genuine and on-going care are essential to them, more so than the supplies that we have brought them (rice, jumper and hand-cream). They really want to hear and be heard by friends; new or old.

Coco (SSDC)...by visiting Ms Wong, I think all of the young volunteers were moved by her personal story, and it really got us thinking how we should treat elderly that are close to us



Eric (HR):..I think the purpose of the visit today was already met when I saw that simple smile on her face when we passed on the presents from Po Leung Kuk.

Flora (HR)...Her attitude to life taught us that the lack of material wealth does not always bring down our quality of life; that spiritual wealth is more important than material wealth by far....



Martin (Legal): The dimension of time is something that cannot be touched, nor heard, nor seen – but it is something that is very real and inescapable. All of us are within its bound. It was through the visiting of the elderly last Saturday that I could truly experience the dimension of time.



Sam (IT): I think no matter how old a person is or whether or not he or she is alone, as long as that individual has the will power and dedication to live on, he / she can still live on quite happily.



Selected images and quotes from Sa Sa participation at Po Leung Kuk Elderly Home visit





Sasa
Various Race Events • 👤

From realization to elevation

Our participation at various charity events not only helped various charities with funding and services, it also provided opportunities for colleagues from different parts of the organization to confront challenges as one team, with one spirit and one goal.

Po Leung Kuk – **Charity Bowling Competition:**
With warm support from other colleagues, the Sa Sa Bowling Team secured the runner up title in the overall competition, showing the depth of our team spirit as we supported the cause of elderly service of Po Leung Kuk.



Community Chest –
SHKP Vertical Run for the Chest:

Sa Sa competed at the charity race to run to the top of International Commerce Centre this year, raising funds for children and youth related services. Sa Sa came 4th out of a total of 48 corporate teams.

Heifer International – **Race to feed 2012:**
Supporting poverty alleviation, Sa Sa partnered with Heifer for the 5th consecutive year and won 3rd prize overall for the race and we were declared champion in the competition for best costume.



Hong Kong Hereditary Breast Cancer Family Registry – **Race with Pink Heels**

To support awareness raising and screening of hereditary breast and ovarian cancer.



4.3

NPO Partnership – beauty of delivering social value through partnership

The sustainability of charities in Hong Kong is critical, as they serve a social purpose that might not be efficiently filled by the government. We were fortunate again this year to be able to play a role in supporting the work of various Nonprofit Organizations (NPOs) for the sustainable development of Hong Kong and beyond. During the year, Sa Sa contributed a total of HK\$4.2m in cash donations (an 18% increase as compared to last year), along with other contributions in the form of sponsorship, gifts and volunteering. Some of our contributions this year include such areas as:



Cash Donation or Sponsorship






Gift of product



Volunteering and staff involvement

Social welfare

With a broad spectrum of social needs that are still unmet in the society we live in today, we are glad that we are able to work with the following NPOs and to contribute to being part of the solution:

-  Community Chest: Corporate Sponsorship for “Community for the Chest” Television Show 2012
-  Po Leung Kuk: Gold Diamond Sponsor and participant in the annual “Charity Walk cum Carnival” event, contributing towards its 250 service units throughout the territory
-  Po Leung Kuk: Gold Diamond Sponsor of “Po Leung Kuk Gala Spectacular 2012”
-  Lifeline Express – Donation towards “Lifeline Express Everbright Crystal Gala” in helping to bring eyesight back to the visually impaired in China
-  Heifer International Hong Kong: Corporate Sponsorship to “Heifer Race to Feed 2012” and participant in the charity race
-  Ruby Sponsor of “Caritas Charity TV Show”

Women in the society

With a significant portion of our management, talents and customers being women, we recognize the important roles that they have in society and family, no less and no more than that of men.

-  Women Helping Women: Product donation to support “WHWHK Against Violence” Fundraising Gala Dinner, promoting anti-violence in the community
-  HK Breast Cancer Foundation: Silver sponsor of “The Pink Walk for Breast Health 2012”
-  Hong Kong Federation of Women: Gift sponsorship for various events in support of women’s rights and welfare in Hong Kong. Some of the support include HKSAR booth games and various dinners
-  Junior Chamber International Victoria: Sponsorship for the Sponsorship for the Movie Screening Night of “The Amazing Spider Man 3D”
-  Hong Kong Island Women Association: Sponsorship for the Celebration Dinner for PRC 63rd Anniversary and HKIWA 7th Anniversary

Youth and education

The power of youth is infinite. In the 21st century, they are the ones who will learn, grow and innovate at a pace that we have never seen before in the history of mankind. Equip them today with what they need, and be astonished with what they can accomplish tomorrow. We have worked with the following institutions this year:

-  The Chinese University of Hong Kong: Donation to the Jockey Club School of Public Health and Primary Care project
-   Community Chest: Donation and participation in Walks for Millions – Hong Kong and Kowloon Walk, providing funding for its “Family and Child Welfare Services”
-   The Hong Kong Girl Guides Association: Sponsorship and product donation for various events to enable girls and young women to develop their fullest potential, including The Flying Machines Gala Premiere, Annual Ball and Tea Gathering etc
-  Henyep Group: Product sponsor of Care for the Children Charity Dinner 2012
-   Chi Heng Foundation: Donation and product sponsor to their Annual Ball in support of HIV affected youth in China
-  Po Leung Kuk: Provide make-up support to young performers at Po Leung Kuk Charity Dinner
-  Hong Kong Air Cadet Corps: Sponsorship of its Anniversary Dinner to support youth development work





Sports, culture and religion

To some, sport is only a means to exercise and stay physically healthy. To others who are less fortunate, such as those who are disabled, it is a means through which they can regain their strength, self-confidence, and to actively participate in society as a normal person. The promotion of art, culture and religion provides the necessary richness to sustain the imagination and spiritual wellbeing of many people in society.

-  Hong Kong Special Olympics: Corporate Sponsor for the “The Law Enforcement Torch Run for Special Olympics”
-  Le Chateau des Arts International (LCDAI) – Corporate sponsorship of a Night of Tchaikovsky Concert
-  Hong Kong Cycling Association: Supported the celebration dinner for Sarah Lee’s winning of Hong Kong’s first cycling Olympic medal in the London Olympics 2012
-  Renaissance College: Provided gift sponsorship to Beleza Fashion Show
-  Hong Kong Philharmonic Orchestra: Corporate Sponsorship to Hong Kong Philharmonic & Friends Fundraising Concert 2012
-  Tsuen Wan Football Association: Sponsorship in support of local athletic culture

Local economic development

We see economic prosperity as being one of the keys to social harmony. Some of our partners in this area include:

-  Earthpulse Foundation Limited: Donation of gifts to the “Earthpulse Foundation Charity Ball” in the support for development of marginalized rural communities
-   Quality Tourism Services Association: Gold Diamond Sponsor and product sponsor to Quality Tourism Services Merchant Award Presentation Ceremony
-  Professional Validation Centre of Hong Kong Business Sector: Donation of gifts to Spring Dinner 2013 in support of the development of individual professionalism of Hong Kong workers

An engagement for the future



Sasa

Various Sponsorships • 👤



Po Leung Kuk Charity Walk cum Carnival



The Community Chest – Walk for a Million Hong Kong and Kowloon Walk



Supporting Po Leung Kuk Halloween Charity Dinner



5

Our Environment: The beauty of a sustainable natural environment

How could one be beautiful in isolation if all that surrounds you is an absolute mess? Cosmetic products were sourced from Mother Nature as far back as 6,000 years ago. Bearing this history in mind, should we not protect the very source of nature where our products originate? How can timeless beauty be realized, if we have already set a limit to the life of nature by the way that we behave?

Trying to manage our footprint as our organization grows is a serious challenge. The solution requires redoubling our efforts to influence individuals both inside and outside of Sa Sa to adopt a more sustainable way of operating. This often requires new ways of thinking and doing. And with the help of relevant engagement tools, management systems and external partnerships, we can make a significant contribution to realizing the beauty of our natural environment.

“If there is one thing that we want to achieve with environmental sustainability, then it is to drive green changes in the society as a whole. It is a huge task, which is why we will need to start acting today, beginning with ourselves, extending our actions to our immediate circle, then further involving society as a whole.”

*Mr Guy Look,
CFO and Executive Director*



5.1

Revealing our green beauty internally – employee engagement

Our journey towards sustainability begins with driving forward our green culture through staff engagement and education within our organization. We believe everyone has a passion for the environment deep inside their heart, and our job is to help them realize it and act on it.



Sasa
Internal Engagement • 👤

WWF green lunchtime workshop

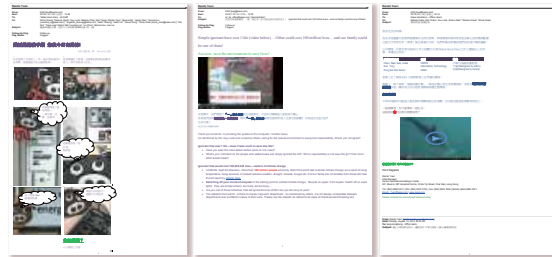
To encourage our talents to better relate their personal and work life to sustainability, a guest speaker from WWF and a representative from NUXE (a French cosmetic brand) were invited to share their knowledge on sustainability.

Our Executive Director, Mr Guy Look was also invited to be the event's opening speaker, where he shared his passion on sustainability and showed his leadership support. A vegetarian lunch was served as part of the talk, with catering provided by a local social enterprise.



Internal staff e-news letter

Over ten education-oriented email communications were distributed to our colleagues during this year, raising the level of awareness and understanding of our talents in regard to the social and environmental issues that are of immediate relevance to us.



Board of Directors and cross department engagement

A cross department ESG Taskforce was established in March 2012, with the aim of helping Sa Sa make our society and environment more beautiful for the ones we love. A total of three meetings were held during the year to ensure interaction and updates within our team.

The ESG Taskforce also provides updates to the Board of Directors on a regular basis, with a total of two updates being delivered this year as scheduled.

"Green and Gorgeous" section in Sa Sa quarterly newsletter:

A "Green and Gorgeous" column is included as part of the content of "SaSa Quarterly", a newsletter that is distributed to all colleagues in the Group on a regular basis. A message about climate change that can be easily understood by colleagues at different levels is articulated in simple cartoons and in an entertaining manner.

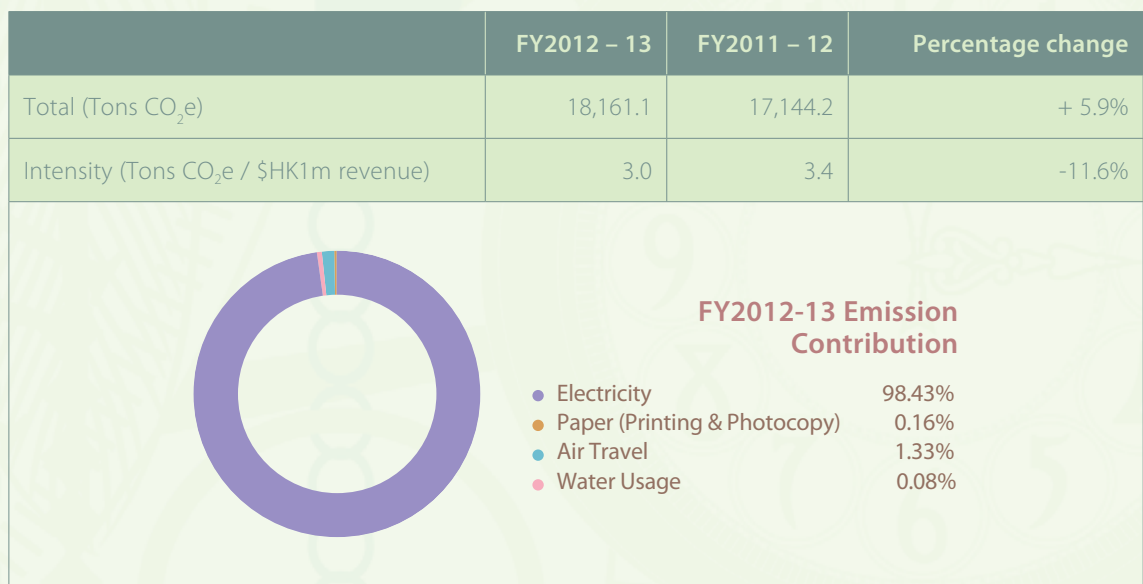


5.2





Approaching our sustainable beauty – measures and performances

Monitoring and measuring are important enablers that allow us to track where we are along our green journey. In this first attempt to report on our carbon emissions, both the data collection and data analysis process provided us with greater insights into our operations. Although the methodology will likely be fine tuned over time, we trust that this is a tangible step forward for Sa Sa towards better managing our ecological footprint in the years to come.

Our footprint at a glance:



Our activities in detail

	Electricity 	Paper (printing & photocopy) 	Air Travel 	Water Usage 
Carbon intensity (Tons / \$1m revenue):				
• FY2012/13	2.9	0.0047	0.0332	0.0022
• FY2011/12	3.3	0.0055	0.0448	0.0026
• Percentage change	-11.4%	-15.1%	-25.9%	-16.5%
Activity volume (units):	(kWh / sqm shop and office floor area)	(Pcs / headcount)	(km / headcount)	(Cu.m / sqm shop and office floor area)
• FY2012/13	768	1,862	503	0.72
• FY2011/12	862	2,113	591	0.86
• Percentage change	-10.9%	-11.8%	-15.0%	-16.07%

* The above data covers for emissions in Hong Kong and Macau Shop and Office operations only.

Environmental, Social and Governance Report

Measures taken to minimize our negative impacts

Some of the initiatives during the year include:

- An established ESG Policy since February 2012
- A cross functional ESG taskforce was established in March 2012, with a clearly defined mission and roles and responsibilities
- A dedicated ESG Manager to facilitate the key ESG agenda within the organization
- Full commitment from the Board of Directors and Senior Management in driving forward the ESG agenda



Green management



Electricity

- Shop LED lights: Currently 46% of our retail shop (by shop numbers) and 25% of our office space (by square meter) have been fitted with either energy efficient LED down lights or energy efficient florescent lamps: the primary contributor towards the increase in energy efficiency observed in this financial year
- Lights off during lunch: The policy to switch off office lights during lunch break has continued across both our offices and our logistics centers
- Reminders: Individuals are being constantly reminded to switch off their monitors, meeting room lights and other electronics when not in use
- Air conditioning: Regular maintenance is undertaken on the air-conditioning system to ensure efficient operation

- FSC Paper: We have increased the extent of FSC paper usage to all printed marketing promotional fliers and magazines, along with all annual and interim reports
- Regular reminders: Our colleagues are consistently reminded about printing only when necessary, duplex printing and reusing paper that has only been printed on one side. Duplex is now the default setting of computers for all new joiners
- Centralized reporting and monitoring: Administration Department regularly prepares reports to various departments, tracking and measuring individual environmental performances



Paper



Transport and water use

- Travel management: Initiated preliminary review of air and land travel patterns
- Awareness: Continued water and marine conservation education

- Plastic and paper shopping bags: We have continued to use P-Life Bio-Degradable Plastic. The intensity of bag use (per dollar revenue) has continued to decrease by 1.8% as compared to last financial year
- Transport pallet: Wrapping of our stock on transport pallets has been reduced or even eliminated whenever possible
- Education on recycling facility use: Various memos and information tips have been sent to our colleagues reminding them about the importance of recycling
- Tracking paper recycled: We have started tracking the weight of paper recycled in the Hong Kong office since October 2012, with a total of 3,662kg paper being recycled for the period of October 2012-March 2013



Packaging and Waste management

5.3

Partnering for a sustainable future – external engagement

In order to truly create a sustainable future for our environment, we see it as part of our responsibility to leverage our knowledge and network to positively influence others beyond our organization wherever possible.

Advocating a green policy and joining industry movements

With vast experience in management in the retail industry, we are delighted that our CFO has been invited to be part of HKSAR Environmental Protection Department's Energy Advisory Committee for a two-year term starting from July 2012. This non-statutory committee, comprising leaders from various industries, primarily advises Government on energy related matters such as energy supply, demand, conservation and efficiency.



Leveraging on our experience in reporting, our ESG Manager was invited to present at the Bloomberg and Deloitte Sustainability Report Working Group, along with the Head of Listing from the Hong Kong Stock Exchange. In his presentation, he shared with other listed companies his views on obstacles and solutions for preparing an organization's first ESG report.

Developing deeper relationships with green Nonprofits

Nonprofit organizations ("NPOs") play a pivotal role in the ecosystem of green movements, bridging the market gap that might not be efficiently served by the government or corporates. Recognizing this importance, Sa Sa has been a long-term partner with reputable NPOs such as the World Wide Fund for Nature ("WWF").

In addition to being a corporate member of the WWF for the sixth consecutive year, Sa Sa supported WWF's signature Earth Hour event this fiscal year through cosmetic products donation and we also internally promoted the event to our colleagues. Sa Sa took part in the WWF low carbon office programme ("LOOP") this year for the first time, analyzing the organization's office greenhouse gas emissions, and we were successfully certified by a third party.



Nurturing the next generation of green collar individuals

Partnering with Hong Kong University of Science and Technology, a five-month internship placement was organized with four of their final year students studying for the Environmental Management and Technology degree. The interns worked on real climate change related reports and research projects for Sa Sa, benefiting from early exposure to real business related climate change problems and working towards real commercial solutions to these problems.



Environmental, Social and Governance Report

6

Self assessment grid against HKEx Environmental, Social and Governance Reporting Guide

KPI	HKEx ESG Guideline requirements	FY2012/13 ESG Report coverage	Page
	A. Workplace Quality		
A1.1	Total workforce by employment type, age group and geographical region.	Fully reported	P. 59
A1.2	Employee turnover rate by age group and geographical region.	none	
A3.1	The percentage of employees trained by employee category (e.g. senior management, middle management, etc.).	none	
A3.2	The average training hours completed per employee by employee category.	Partially reported	P. 70
A4.1	Description of measures to review employment practices to avoid child and forced labour.	Partially reported	P. 73
A4.2	Description of steps taken to eliminate such practices when discovered.	none	
	B. Environmental Protection		
B1.1	The types of emissions and respective emissions data.	Partially reported	P. 89
B1.2	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Partially reported	P. 89
B1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	none	
B1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	none	
B1.5	Description of measures to mitigate emissions and results achieved.	Partially reported	P. 87–90
B1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Partially reported	P. 90
B2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (Kwh in '000s) and intensity (e.g. per unit of production volume, per facility).	Fully reported	P. 89
B2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Fully reported	P. 89

Environmental, Social and Governance Report

KPI	HKEx ESG Guideline requirements	FY2012/13 ESG Report coverage	Page
B2.3	Description of energy use efficiency initiatives and results achieved.	Partially reported	P. 90
B2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Partially reported	P. 90
B2.5	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced.	none	
B3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Partially reported	P. 87–90
	C. Operating Practices		
C1.1	Number of suppliers by geographical region.	none	
C1.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Partially reported	P. 75–78
C2.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Fully reported	P. 78
C2.2	Number of products and service related complaints received and how they are dealt with.	Partially reported	P. 78
C2.3	Description of practices relating to observing and protecting intellectual property rights.	none	
C2.4	Description of quality assurance process and recall procedures.	Partially reported	P. 78
C2.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Partially reported	P. 78
C3.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Fully reported	
C3.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Partially reported	P. 73
	D. Community Involvement		
D1.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Fully reported	P. 79–86
D1.2	Resources contributed (e.g. money or time) to the focus area.	Partially reported	P. 84–85

Investor Relations Report

Effective and Two-Way Communications

The Group is committed to fostering productive and long-term relationships with shareholders, individuals and institutional (in this Investor Relations Report, collectively, “Shareholders”), and the investment community at large, through effective two-way communication channels.

Sa Sa’s communication strategy is to ensure that information about and from Sa Sa is delivered on a timely and transparent basis. We also strive to provide easy access to Shareholders and the investment community in a responsive manner. We endeavour to ensure that all information published is factual and presented in a clear and balanced manner, disclosing both positive and negative information objectively, so that Shareholders can make informed investment decisions.

As part of our investor relations function, we recognise that communication has to be conducted in both directions and so to this end, we also collect feedback from investors and analysts for the attention of executive management and the Board of Directors. This also helps to formulate our investor relations plan and improve our investor relations practices on an on-going basis.









Shareholders’ Communication Policy

To facilitate effective and systematic communications with Shareholders and attain higher standard of investor relations practices, the Board approved and adopted the “Shareholders’ Communication Policy” on 19 March 2012, setting out the aims and practices of the Company to have a two-way communication with Shareholders and the investment community. The Policy is available on the Company’s website for public reference.



Communication Platforms

The Group provides different communication platforms to its Shareholders and the investment community, including:

<p>Press Release</p> 	<p>Annual/Interim Report</p> 	<p>Corporate Website (corp.sasa.com)</p> 
<p>Analyst and Media Briefing</p> 	<p>Corporate Presentation Material</p> 	<p>Shareholder's Meeting</p> 
<p>Announcement</p> 	<p>Webcast</p> 	<p>Quarterly Update Call (New)</p> 
<p>Media Interview (print and broadcast)</p> 	<p>Social Media</p> 	<p>Designated IR contacts</p> <p>ir@sasa.com Hotline: (852) 2975 3638</p> 

As an environment-conscious corporate citizen, the Company encourages Shareholders to access corporate information and updates via the Company's or HKEx's website. The Company's website presents a user-friendly interface in English and Chinese, and all Corporate Communications are easily accessible in the "Investor Relations" section following their releases. Information is also released by email to all persons who have requested their names to be added to our contact database. Any person who wishes to be added to this database can do so by sending an email to ir@sasa.com.

Investor Relations Report

Investor Relations Activities

The Company is highly supportive to investor relations function, our Executive Directors, Director of Corporate Communications and Investor Relations and designated representatives interact regularly with the market in a variety of ways in order to facilitate a two-way communication between the Company, Shareholders and the investment community. The Company upholds the principal of Non-Selective Disclosure for price-sensitive information. Historical financial information, operational data, corporate strategies, industry update and the outlook of the Company are available to the public via the website of the Stock Exchange of Hong Kong Limited if necessary. The Company communicates with the investment community and shareholders based on largely publicly available information.

Institutional Investors:

Through platforms including roadshows (both domestic and international), results briefings, investor meetings, investor conferences, company visits, teleconference and emails, we made frequent contact with analysts, fund managers and investors during the year:

- Proactive participation in major conferences and non-deal roadshows in Hong Kong and across countries in Asia, Europe and North America.
- Interim and Annual Results Investor Presentation with webcast for those who cannot attend.
- Quarterly Analyst Conference Call was first introduced in the third quarter to promote timely and efficient communications on important updates of the Group.



Frequent Contacts with Investment Community

Over 1,000 analysts, fund managers and investors (FY2011/12: Over 700)



Close Engagement with Institutional Investors

- **21 major conferences** (FY2011/12: 21)
- **15 non-deal roadshows** (FY2011/12: 13) (please see below for details)
- **100 investor participants** for Interim Results Analyst Presentation (FY2011/12: 86)



FY2012/13 Interim Results Investor Presentation

Retail Investors:

The Company also greatly values the support from our retail investors. During the year, series of initiatives were adopted to facilitate better understanding by retail investors of the operations and outlook of the Group, as well as to provide them easier access to the management and investor relations personnel.



- **Over 20 retail investor participants** for an open-dialogue education seminar organized by UOB Kay Hian (Hong Kong) Limited exclusively for retail investors in Hong Kong. *(New)*
- A designated enquiry hotline (852) 2975 3638 has been launched for the investment community including retail investors. *(New)*
- To encourage Shareholders to experience our products and services, complimentary shopping coupons are enclosed in our annual report. *(New)*
- A separate Q&A section for retail investors is arranged in our AGM.



Sa Sa's management participated in a retail investor seminar organized by UOB Kay Hian (Hong Kong) Limited.

Investor Relations Report

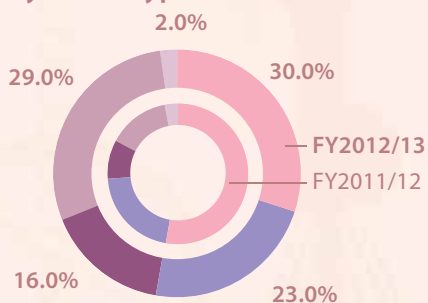
Communication with Sell-side Analysts

The Group has also maintained continuous dialogues with many sell-side analysts of securities research institutions, of which 26 have already covered our company. During the year, a total of over 170 research reports covering Sa Sa has been published by securities firms in Hong Kong market.

- 22 analysts covering Sa Sa in 2012/13
- Over 170 research reports on Sa Sa in 2012
- 39 analysts participating Sa Sa's Third Quarter Analyst Conference Call (New)

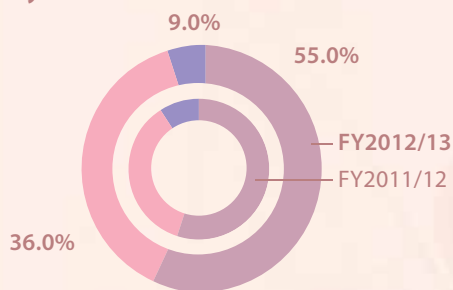
Investor Relations Activities Analysis

By Event Type



- Face-to-face Meeting
- Teleconference
- Non-deal Roadshow
- Investor Conference
- Others

By Audience



- Analyst
- Fund Manger
- Others



Roadshows and Conferences:

FY2012/13	Event	Organiser	Location	
Q1	China Investor Forum	Nomura	China (Xiamen)	
	Post-results non-deal roadshow	Citi	Hong Kong	
	Post-results non-deal roadshow	Standard Chartered	Hong Kong	
	Post-results non-deal roadshow	DBS Vickers	Singapore	
	Post-results non-deal roadshow	Credit Suisse	Europe (London)	
Q2	Post-results non-deal roadshow	Credit Suisse	Europe (Zurich, Geneva)	
	Post-results non-deal roadshow	CLSA	Europe (Paris)	
	Post-results non-deal roadshow	CSC Securities	Taipei	
	Post-results non-deal roadshow	Citics Securities	Taipei	
	Consumer Corporate Day	Nomura	Hong Kong	
	Consumer Corporate Day	BNP Paribas	Hong Kong	
	Greater China Consumer Select Corporate Day	Barclays	Hong Kong	
	Hong Kong/China Mini Conference	Citi	Hong Kong	
	Post-results non-deal roadshow	Cathay Securities	Taipei	
	Greater China Corporate Day	UOB Kay Hian	Taipei	
	Post-results non-deal roadshow	Nomura	Japan (Tokyo)	
	Q3	Consumer Day	Credit Suisse	Hong Kong
		Regional Consumer Corporate Day	UOB Kay Hian	Singapore
Consumer Conference		CLSA	Hong Kong	
China Corporate Day		Macquarie	Hong Kong	
China Consumption Conference		HSBC	Hong Kong	
Post-results non-deal roadshow		HSBC	Hong Kong	
Post-results non-deal roadshow		CLSA	Hong Kong	
Post-results non-deal roadshow		DBS Vickers	Singapore	
Post-results non-deal roadshow		Standard Chartered	United States (New York)	
Global Emerging Market Conference		UBS	United States (New York)	
Asia Pacific Emerging Corporate Day		Standard Chartered	Hong Kong	
Hong Kong/China Consumer Conference		Citi	Hong Kong	
Hong Kong Conference		Societe Generale and Ji Asia	Hong Kong	
Q4	Personal Care Corporate Day	Nomura	Hong Kong	
	Greater China Conference	UBS	China (Shanghai)	
	Consumer Access Day	CLSA	Hong Kong	
	HK & China Access Day	Mirae Asset Securities	Hong Kong	
	Asian Investment Conference	Credit Suisse	Hong Kong	
	Consumer Corporate Day	Cathay Securities	Taipei	

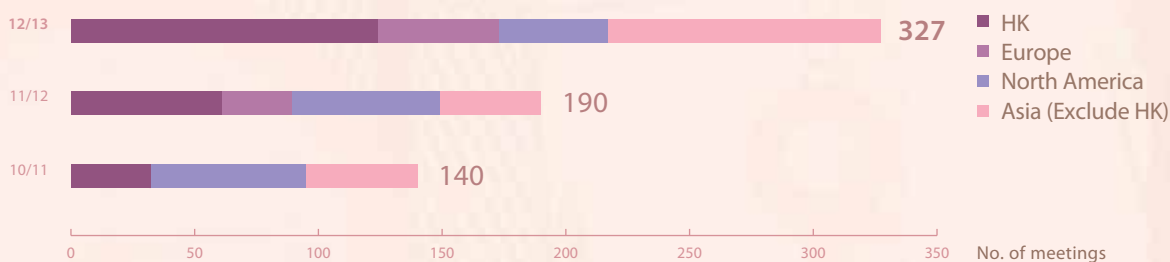
Investor Relations Report



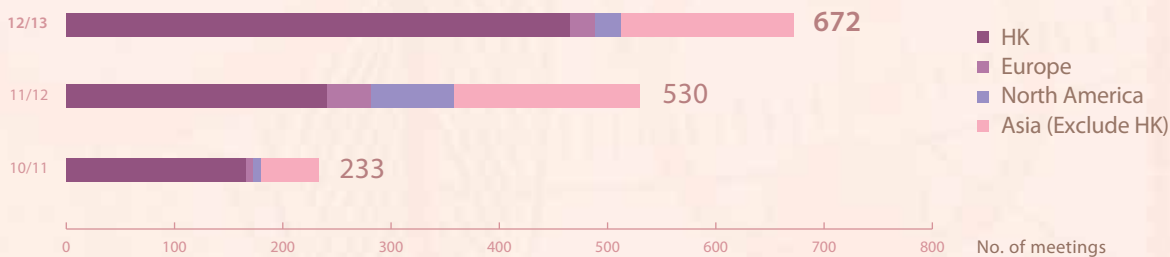
Note:

- 1. Number of conference and post-results non-deal roadshow participated for FY2012/13.
- 2. Number of conference and post-results non-deal roadshow participated for FY2011/12.

Roadshow Participation by Geography



Conference Participation by Geography



Shareholders' Meetings

Shareholders' meetings are held to ensure Shareholders can participate in or appoint proxies to hear from and put questions to Directors regarding the Group's performance.

The last shareholders' meeting was the Annual General Meeting ("AGM") held at 3rd Floor, Gold Mark Plaza, 502 Hennessy Road, Causeway Bay, Hong Kong on 23 August 2012, for approval of, among others, the re-election of retiring Directors and the general mandates to issue and purchase shares. Particulars of the major items considered at the AGM are set out in the circular dated 10 July 2012. All proposed ordinary resolutions were passed by way of poll votings at the AGM.

The 2013 AGM will be held at 3rd Floor, Gold Mark Plaza, 502 Hennessy Road, Causeway Bay, Hong Kong, on 22 August 2013 (Thursday) at 11 a.m.



2012 AGM

Shareholders' Rights

Shareholders can make a request to convene a general meeting on the written requisition of any two or more Shareholders or on the written requisition of any one Shareholder which is a registered clearing house, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company, according to the procedures set out in "How Shareholders Can Convene an Extraordinary General Meeting" which is available on the Company's website for public reference.

Shareholders also have opportunities to put enquiries to the Board at any general meetings held by the Company. Enquiries may also be made at any time by email to Investor Relations at ir@sasa.com or by writing to 8th Floor, Block B, MP Industrial Centre, 18 Ka Yip Street, Chai Wan, Hong Kong.

Towards the end of each general meeting held by the Company, there are opportunities for Shareholders to raise questions or put forward proposals. Shareholders may also contact Investor Relations at ir@sasa.com or by writing to the same address mentioned above if they have proposals they would like the Company to consider at any other time. Shareholders who wish to propose a formal resolution for consideration at Shareholders' meeting should convene an Extraordinary General Meeting by following the procedures mentioned in the first paragraph of this section.

Investor Relations Report

From Commitment to Recognition

Sa Sa always persists in upholding investor relations and corporate governance excellence. Our commitment to best-practice governance standards and transparent reporting has been granted recognitions by a number of regional and international accolades during the year.

Awards and Recognition

Hang Seng Corporate Sustainability Benchmark Index constituent member

Forbes Asia Asia's 200 Best Under a Billion

CAPITAL Entrepreneur Entrepreneur of the Year (Dr Simon Kwok, the Group's Chairman and CEO)

Asiamoney Magazine Best Managed Companies Awards 2012

- Best Managed Company in Hong Kong – Medium Cap
- Best Executive in Hong Kong (Mr Guy Look, the Group's CFO and Executive Director)

IR Magazine Investor Perception Study Asia 2012/13

- The 25th among Asia Top 50
- The 20th among Greater China Top 30
- The 5th in Best Investor Relations by a Hong Kong Company
- The 8th in Grand Prix for Best Overall Investor Relations – Mid or Small Cap in the Greater China
- The 5th in Best in Sector – Consumer Goods & Services in the Greater China
- The 7th in Best Investor Relations by a CFO – Hong Kong (Mr Guy Look)
- The 5th in Best Investor Relations Officer – Hong Kong (Ms Tiffany Cheung, Director of Corporate Communications and Investor Relations)

Corporate Governance Asia Magazine the Third Asian Excellence Recognition Awards 2013

- Best Investor Relations Company (Hong Kong)

Finet and Tencent Top 100 Hong Kong Stocks 2012

- Top 10 Return on Equity stocks

Galaxy Awards 2012 (The Group's 2011/12 Annual Report)

- Gold Award in the category of cover design for annual reports (artistic/illustrations)
- Silver award in the cosmetics retail category

Mercury Excellence Awards 2012-2013 (The Group's 2011/12 Annual Report)

- Honory award in the category of interior design for annual reports



For details of the a full list of recognitions, please refer to the "Awards and Recognition" section on pages 12 to 19 of this Annual Report.

Shareholding Structure

According to the Company's share registrar, Sa Sa had 1,559 registered shareholders as at 31 March 2013. This number does not include individual Shareholders and corporations that have an indirect interest through intermediaries including custodians and nominees, investment funds and the Central Clearing and Settlement System (CCASS) operated by Hong Kong Securities Clearing Company Limited, and therefore, the Company's actual number of Shareholders would be larger.

Our largest beneficial shareholders are Dr KWOK Siu Ming Simon, Chairman and CEO, and Dr KWOK LAW Kwai Chun Eleanor, Vice-chairman, both Executive Directors of the Company, who have a combined shareholding of 65.01%*. The 34.99% remaining proportion of the shares are held by a wide range of institutional investors across North America, Europe and Asia, and a considerable number of retail investors.

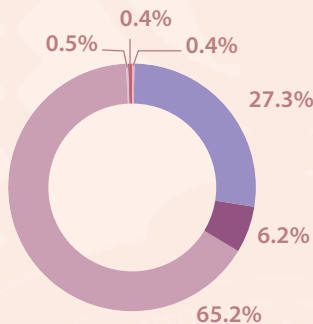
* Please refer to pages 155 to 158 in the "Report of the Directors" of this Annual Report for details of the Directors' and Chief Executive's shareholding interests.

During the year, the Company engaged Thomson Reuters Hong Kong Limited to conduct "Shareholder Identification" which was able to analyse 2,815,478,499 shares of the Company as at 31 March 2013, representing 99.6% of the total issued capital.

According to Thomson Reuters' report, the Group's institutional shareholder base was composed of firms stretching across 23 countries, and accounted for 27.2% of the Company's total issued capital as at 31 March 2013, while the low turnover orientation# accounted for 56.4% of the total institutional shareholders.

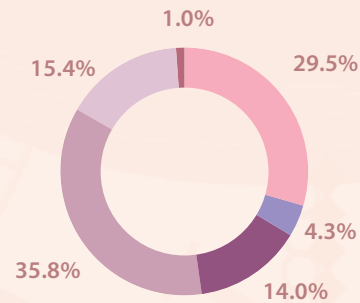
Average holding period exceeds 24 months

Total Shareholder Composition



- Institutional
- Private
- Related
- Corporate & Non Profit
- Other
- Unanalysed

Institutional Shares by Geography



- Hong Kong
- United Kingdom
- Europe (Exclude UK)
- North America
- Asia (Exclude HK)
- Rest of World

Investor Relations Report

Shareholders Information

Financial Calendar

FY 2012/13 interim results announcement	15 November 2012
Closure of register of members	10-11 December 2012 (both days inclusive)
Payment of 2012/13 interim and special dividends	20 December 2012
FY 2012/13 annual results announcement	20 June 2013
For determining shareholders' eligibility to attend and vote at AGM:	
• Closure of register of members	21-22 August 2013 (both days inclusive)
• Record Date	22 August 2013
Annual general meeting	22 August 2013
For determining entitlement to the final and special dividends (if payable):	
• Closure of register of members	28-29 August 2013 (both days inclusive)
• Record Date	29 August 2013
Proposed payment Date of 2012/13 final and special dividends (if payable)	6 September 2013
FY 2013/14 interim results announcement	Mid to late November 2013

Share Listing

First listed on the Stock Exchange of Hong Kong	13 June 1997
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Listing and Stock Codes

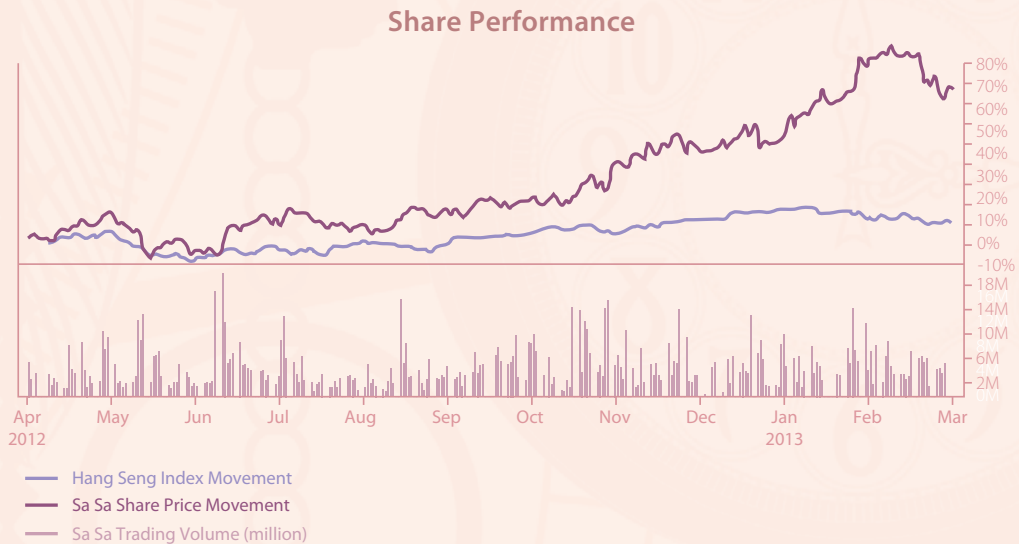
Ordinary Shares	
The Stock Exchange of Hong Kong	178
Bloomberg	178 HK Equity
Reuters	0178.HK
ADR Level 1 Programme	SAXJY

Stock Information

Board lot	2,000 shares
Nominal value per share	HK\$0.1
Number of ordinary shares issued as at 31 March 2013	2,826,911,396
Public float as at 31 March 2013	Approximately 34.8%

Share Performance

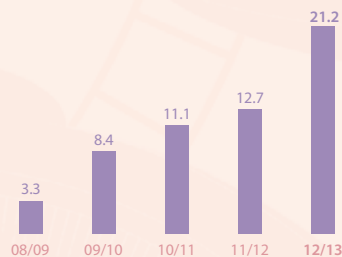
Share Performance	2012/13	2011/12
Closing price as at 31 March	HK\$7.51 per share	HK\$4.50 per share
Highest price during the fiscal year	HK\$8.66 per share	HK\$6.96 per share
Lowest price during the fiscal year	HK\$3.99 per share	HK\$3.91 per share
Average daily trading volume	5.0 million shares	9.4 million shares
Average daily trading amount	HK\$28.6 million	HK\$47.0 million



Source: Thomson Reuters Hong Kong Limited

Market Capitalisation

(HK\$ billion)



Investor Relations Report

Dividend History

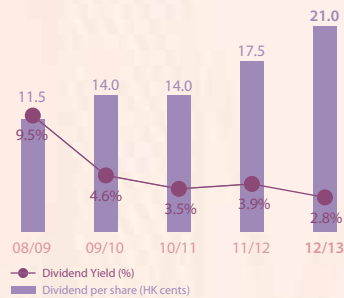
Depending on the Group's cash flow, earning capacity, development plans, and the final decision of the Board, and in the absence of special circumstances, the Group will strive to maintain a consistently high dividend policy.

Financial Year	Dividend Payout Ratio
2012/13	71.9%
2011/12	71.4%
2010/11	77.1%
2009/10	102.0%
2008/09	100.3%

Financial Year	Dividend per Share (HK cents)				Total	Dividend Yield (%)
	Interim	Basic Final	Special Interim	Special Final		
2012/13	2.50	5.00	4.50	9.00	21.00	2.8
2011/12	2.00	3.50	4.00	8.00	17.50	3.9
2010/11	1.50*	2.50	3.00*	7.00	14.00*	3.5
2009/10	1.50*	2.50*	3.00*	7.00*	14.00*	4.6
2008/09	1.50*	2.50*	1.50*	6.00*	11.50*	9.5

* Adjusted for the 1:1 Bonus Issue

Dividend per Share and Dividend Yield



Note:

1. Dividend yield is calculated based on the share price of the Company as at 31 March of the respective years.

Investor Relations Enquiries and Communications

For enquiries regarding investor relations or corporate information, please contact:

**Corporate Communications and Investor Relations Department,
Sa Sa International Holdings Limited**

8th Floor, Block B, MP Industrial Centre, 18 Ka Yip Street, Chai Wan, Hong Kong

Investor relations hotline: (852) 2975 3638

Fax: (852) 2595 0797

Email: ir@sasa.com

Shareholders Service and Enquiries

For enquiries about your shareholding including change of name or address, transfer of shares, loss of share certificates or dividend cheques, registrations and requests for annual/interim report copies, please contact the Company's branch share registrar:

Tricor Abacus Limited

26th Floor Tesbury Centre, 28 Queen's Road East, Hong Kong

Tel: (852) 2980 1333

Fax: (852) 2810 8185

Email: is-enquiries@hk.tricorglobal.com

Website: www.tricoris.com

Shareholders can manage their shareholding online by creating an online Member Account with Tricor Investor Services Centre or use their online Holding Enquiry Services to enquire about holding details, such as company and personal particulars as well as share balance. For details, please visit www.tricoris.com.



Corporate Governance Report

Composition of the Board and Board Committees

Executive Committee

1. Dr KWOK Siu Ming Simon* (Chairman)
2. Dr KWOK LAW Kwai Chun Eleanor*
3. Mr LOOK Guy*

Risk Management Committee

1. Dr KWOK Siu Ming Simon* (Chairman)
2. Dr KWOK LAW Kwai Chun Eleanor*
3. Mr LOOK Guy*

Board

1. Dr KWOK Siu Ming Simon* (Chairman & CEO)
2. Dr KWOK LAW Kwai Chun Eleanor* (Vice-chairman)
3. Mr LOOK Guy* (CFO)
4. Ms LEE Yun Chun Marie-christine**
5. Professor CHAN Yuk Shee^Δ
6. Dr LEUNG Kwok Fai Thomas^Δ
7. Ms TAM Wai Chu Maria^Δ
8. Ms KI Man Fung Leonie^Δ
9. Mr TAN Wee Seng^Δ

Remuneration Committee

1. Dr LEUNG Kwok Fai Thomas^Δ (Chairman)
2. Dr KWOK LAW Kwai Chun Eleanor*
3. Ms TAM Wai Chu Maria^Δ
4. Ms KI Man Fung Leonie^Δ

Audit Committee

1. Professor CHAN Yuk Shee^Δ (Chairman)
2. Dr LEUNG Kwok Fai Thomas^Δ
3. Ms TAM Wai Chu Maria^Δ
4. Ms KI Man Fung Leonie^Δ

Nomination Committee

1. Ms TAM Wai Chu Maria^Δ (Chairman)
2. Dr KWOK LAW Kwai Chun Eleanor*
3. Dr LEUNG Kwok Fai Thomas^Δ

* Executive Director

Non-executive Director

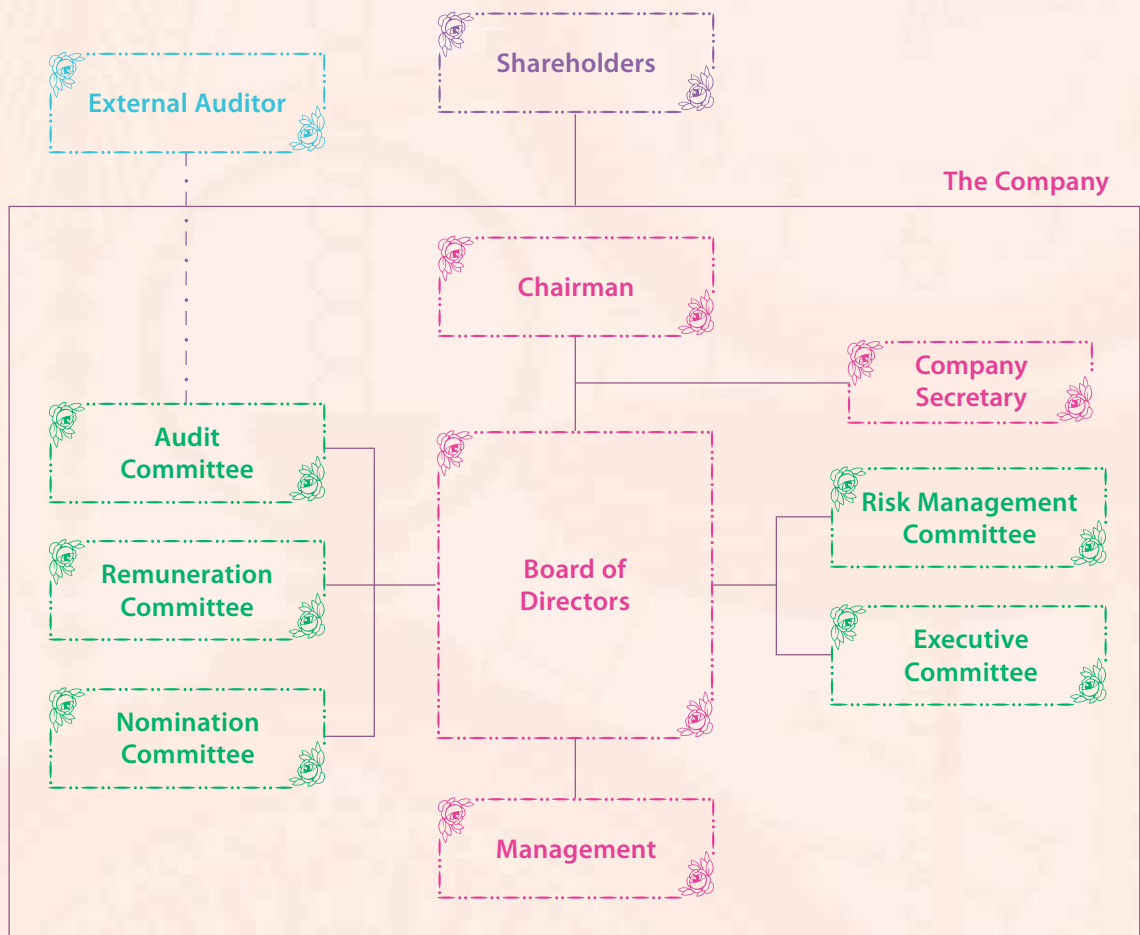
Δ Independent non-executive Director

☆ Appointed as a Non-executive Director on 26 February 2013

Reflecting our belief in the importance of inner beauty, the Group strives for the highest corporate governance standards. Making Life Beautiful is a culture that is rooted in all aspects of our strategies and operations. The Group believes that our business can only be successful, sustainable and beautiful in the broadest sense of the term when governed by a strong corporate governance culture. This culture ensures that we are responsible, accountable and transparent. This belief accords with an increasingly stringent regulatory environment and rising public expectations. L.(d)(iii)
G.(a)

Corporate governance is the foundation of how our Group balances and aligns the interests of all our stakeholders, determining both strategic directions and methods of execution. It allows us to manage the balance between achieving our objectives and risks, and it involves performance as well as compliance. As such, it can only be effective if it is built into our corporate culture as well as our control systems.

Corporate Governance Framework



The margin notes on the right refer to the provisions in the CG Code

The Group believes that our business can only be successful, sustainable and beautiful in the broadest sense of the term when governed by a strong corporate governance culture.

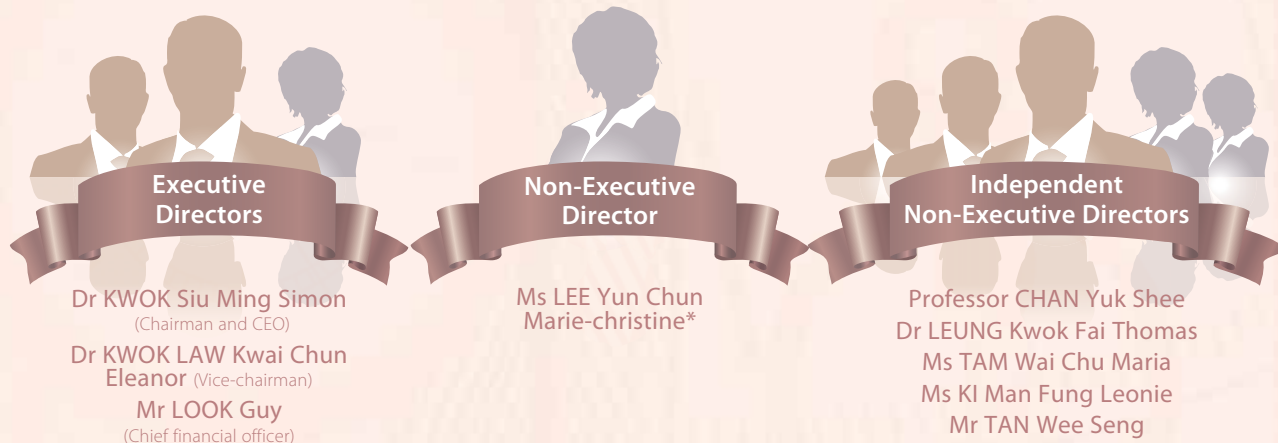


The Board

Under the supervision and guidance of the Chairman, the Board takes a leading and prominent role in establishing a clear corporate governance framework, ensuring its full application and internalizing it so that it becomes a corporate structure for all our members: both management and all employees. Our Chairman provides leadership for the Board and ensures that the Board works effectively and discharges its responsibilities. He also takes on other responsibilities such as being primarily responsible for Board agendas, ensuring that good corporate governance practices and procedures are established, and ensuring that there are effective communications between the Board and the Shareholders.

A.2.4
A.2.5
D.3.2
G.(a)
L.(d)(iii)

Our board composition



* Appointed as an NED on 26 February 2013

Board composition

The Board comprises three Executive Directors, one NED and five INEDs. There is a strong culture of independence in the Board. INEDs represent about 56% of the total number of our Directors, exceeding the Listing Rules requirement of more than one-third. The composition of our Board complies with Rules 3.10(1) and (2), and 3.10A of the Listing Rules. ^{I.(f)}

The Company has received from all INEDs written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules for the year under review. All our INEDs are identified in all our Corporate Communications. Each INED is required to inform the Company as soon as practicable if there is any change in their own personal particulars that may affect their independence. A company controlled by one of the INEDs had business dealings with the Group during the year under review. After reviewing all relevant materials and information including that INED's confirmation, the Nomination Committee decided that such business dealing was relatively insignificant when compared to the business of the Company as a whole. The Committee also concluded that it would not render the INED financially dependent on the Group and agreed that the independence of that INED was not affected according to its interpretation of Rule 3.13 of the Listing Rules. ^{A.3.1 I.(g) A.5.2.(c)}

Professor CHAN Yuk Shee and Dr LEUNG Kwok Fai Thomas have been serving as our INEDs for more than nine years. Their re-appointment is subject to the shareholders' approval. The Nomination Committee considers that this long service does not interfere with their exercise of independent judgment in carrying out the duties and responsibilities of an INED to maintain an independent view of the Group's affairs, in particular when their past performance is taken into account. The Nomination Committee regards them as independent and believes they will continue to contribute effectively to the Board because of their familiarity with the Group's businesses and affairs, and in this spirit they were recommended to the Board for approval. The Board concurred with the opinion of the Nomination Committee and recommended the reappointment of the INEDs at the AGM held in August 2011. The shareholders approved the re-appointments at the AGM. ^{A.4.3}

Our Directors come from different business and professional backgrounds and are equipped with various qualifications and experience. Female Directors account for 44% of the whole Board. Please refer to the section "Board Diversity" on page 130 of this Corporate Governance Report for a detailed discussion of this matter. ^{A.6.7}

Our NED and INEDs exercise their independent judgment on a wide range of strategic issues and scrutinize the Group's performance closely. They have made a constructive and positive contribution to the development of the Group's strategy and policies through independent, positive and informed comments and feedbacks. Their voices and opinions have been adequately reflected in the meeting minutes. The INEDs have the knowledge and understanding of our business to effectively contribute, and are kept well informed and abreast of significant new developments in the business. ^{A.6.7 A.6.8}

Corporate Governance Report

As at 31 March 2013, none of our Executive Directors hold directorship in other listed companies. I.(h) Biographical Information of the Directors (including financial, business, family or other material or relevant relationship, if any, between Board members and their directorships in other listed companies for the past three years) are set out on pages 49 to 54 of this Annual Report and posted on the Company's website. The date of appointment, date of last re-election in AGM as Director and term of directorship, if applicable, of our Directors are set out in the Report of the Directors on pages 152 to 153 of this Annual Report.

Appointment of directors

Each Non-executive Director was appointed for a term of three years by a formal letter of appointment with the Company upon appointment or reappointment. Such appointment letter sets out key terms and conditions, length of appointment, the time commitment expected, the roles and functions (including those functions as mentioned in Code Provision A.6.2 of the CG Code) and amount of remuneration. A.4.1
A.6.2
A.6.3
D.1.4
K.

Our Articles of Association provides that all Directors appointed to fill a casual vacancy should hold office only until the first general meeting after their appointment and be subject to re-election at such meeting. A.4.2
Our Articles of Association also require one-third of the Directors to retire by rotation at each AGM and each Director to retire by rotation at least once every three years.

At present, 44% of our board members are female, well above the average of 10.7% of companies listed in Hong Kong.



Retirement and Appointment of NED

Mrs LEE LOOK Ngan Kwan Christina retired as an NED in August 2012. Having reviewed the nomination criteria as set out in the Nomination Policy of the Company, the Nomination Committee recommended appointing Ms LEE Yun Chun Marie-christine as an NED to the Board for approval in February 2013. Ms Lee, daughter of Mrs Lee, has a proven leadership position in retailing, branding and marketing with more than 15 years experience. Ms Lee is currently an ambassador of Harry Winston (Hong Kong) Limited, focusing on sales, branding and marketing, and successfully launched its debut shop in Hong Kong. Her appointment will be subject to re-election in the coming AGM to be held in August 2013. Ms Lee's appointment has maintained the diversity and female representation on the Board. At present, 44% of our board members are female, well above the average of 10.7% of companies listed in Hong Kong. Please refer to the section "Board Diversity" on page 130 of this Corporate Governance Report for a detailed discussion of this matter. A.4.2

Conflict of interest

All Directors are required to comply with Rule 3.08(d) of the Listing Rules to avoid actual and potential ^{A.1.7} conflicts of interest and duty at all times. Executive Directors are subject to the Conflict of Interest Policy of the Company, which requires them to avoid any conflict of interest with the Company and to declare to the Company any such conflicting interest so that the Company can, if appropriate, request them to terminate the business relationship that creates the conflict.

It is acknowledged that non-executive Directors may have business interests other than those of the Company and they are required to declare any conflicts that are apparent upon appointment. In the event that they become aware of any potential conflicts of interest, these should be disclosed to the Chairman and Company Secretary immediately.

Furthermore, Directors are required to declare their interest in the matters to be considered at each Board meeting and Board committee meeting. If a Director or any of his/her associates has a material interest in the matter to be considered, the Director will not be counted in the quorum or be allowed to vote at the meeting. He or she may also be required to withdraw from the meeting during discussion of the matter.

Board proceedings

Our Directors actively participate in each Board meeting to provide oversight and strategic direction to ^{A.2.6} the Group on operational, governance, internal control and other matters. Issues are debated openly and ^{A.2.9} each Director is free to question or challenge the opinions of the other Directors including the Chairman and Vice-chairman, who are the controlling Shareholders. The Board meetings are also one of the platforms for interaction between members of the management team and the Board. Relevant members from the management team are invited to attend some of the Board meetings to provide information and take questions from the Board. In particular, the Group has developed an annual budgeting process where the short-and long-term business and financial plans prepared by the management team are constructively reviewed and scrutinized by Board members before they are formally approved at Board meetings.

The Chairman believes that it is in the Directors' own best interest to voice whatever concerns they may ^{A.2.6} have as each Director has the same general legal responsibilities to the Company as any other Director, ^{A.2.9} regardless of whether they are executive or non-executive. As such, in each Board meeting, the Chairman nurtures an open and uninhibited environment where other Directors with different views are free to express their own opinions. In the event that decision is not reached unanimously, the respective vote of each Director is recorded in the minutes. All resolutions carried in the year under review were with the unanimous votes of all Directors present at the meetings.

Besides using Board meetings or committee meetings, the Chairman has been enhancing rapport between executive Directors and non-executive Directors through interactions in less formal channels, such as participation by non-executive Directors in the annual dinner, Sa Sa Ladies' Purse Day and other corporate functions.



Corporate Governance Report

Notice, agenda and supply of information

Our timetable for regular Board meetings are scheduled one year in advance to enable the Directors to manage their time commitment towards the Company. Formal notices of meetings together with the agenda are usually sent to all Directors and other participants at least 14 days in advance and all Directors are given an opportunity to include additional matters for consideration at such meetings. Directors are specifically consulted well beforehand which department's presentation on strategies or annual budgets they would like to hear and discuss. No Board or committee meeting was called at short notice during the year under review.

When compiling Board papers, the Chairman works closely with the Company Secretary to ensure that comprehensive, adequate, complete, reliable and timely information are presented to the Board to enable them to set strategy, monitor progress towards meeting the Group's objectives and conduct regular reviews of financial performance, risk management and other business issues. The Executive Directors and the management also work closely with the Company Secretary to ensure that information necessary to keep Directors updated of the latest situation of the Company and for them to make informed decisions is presented to the Board in a timely manner.

Board papers are usually sent to Directors one week before but for some circumstances at least three days in advance of the meetings. Information supplied to the Board in the year under review amounted to some 2,297 pages as set out in the chart on page 130 of this Corporate Governance Report. With a view to becoming more environment friendly, we distribute board papers in electronic form and Directors are encouraged to read the electronic version.

The Company Secretary ensures that minutes of all our meetings record in sufficient detail the matters considered and the decisions reached, including any concerns raised by Directors or dissenting views expressed. The Company Secretary liaises with the relevant departmental heads such that the latter will follow up on any action necessary to respond to decisions made in the Board meetings.

Board meetings

The Board held four meetings during the year ended 31 March 2013. Some of the matters considered by the Board in the year under review (including events considered up to the date of this Annual Report), are:

1. review of the annual report for the year ended 2011/12, interim report and annual report for the year ended 2012/13;
2. review of the financial results for the year ended 31 March 2012, the six months ended 30 September 2012 and for the year ended 31 March 2013, and the financial results for the first quarter ended 30 June 2012 and the third quarter ended 31 December 2012;
3. assessments and adoptions of certain new Hong Kong Financial Reporting Standards;
4. review of the dividend policy of the Company, and approval of payments of final dividend for the year ended 31 March 2012, interim dividend for the six months ended 30 September 2012 and final dividend for the year ended 31 March 2013;

5. review of the treasury policies for the year ended 31 March 2012, the six months ended 30 September 2012 and for the year ended 31 March 2013, and approval of the future strategies;
6. approval of adoption of a new share option scheme and termination of a previous share option scheme when it was about to expire;
7. approval of amendments to the Memorandum and Articles of Association;
8. review of the outstanding litigations and/or claims for the year ended 31 March 2012, the six months ended 30 September 2012 and the year ended 31 March 2013;
9. consideration of a proposed evaluation of the Board's performance;
10. review of an update of investor relations from the Director of Corporate Communications and Investor Relations, including receiving feedback from investors;
11. review of updates and future strategies of the Company's environmental and social governance initiatives, and corporate governance practices;
12. deliberation, discussion and approval of the performance of the Group against budget for the financial year 2012/13 and the budget for the financial year 2013/14 (including a special review on the Human Resources Department);
13. grant of share options to employees; and
14. discussion of reports from various Board committees.

The Board has also discussed in various meetings strategic issues of the Group which are more specifically discussed under "Discussion of strategies by the Board" on page 124 of this Corporate Governance Report below.

The executive Chairman held a private meeting with all INEDs (without any other Executive Directors or other management members being present) in August 2012 to discuss any concern that they may have. A.2.7

Directors' securities transactions

The Company has adopted a policy regarding securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10 of the Listing Rules). Having made specific enquiry of all Directors, all of them have confirmed that they have complied with this policy throughout the reporting period. The Company has also adopted a similar policy for certain relevant employees who, because of their office or employment, are likely to be in possession of unpublished inside information in relation to the Company or its shares. On commencement of his or her employment, relevant employees are required to acknowledge their understanding of this policy and the list of relevant employees is updated at regular intervals. Both these policies have been updated as a result of the amendments made to the Listing Rules. A.6.4
H.(a)(b)



Corporate Governance Report

Before a Director or employee can trade in the shares of the Company, they have to seek the written approval of the Chairman of the Board or its delegate. They must also deal in the shares within five working days upon receipt of the approval.

Relationship between the Board and the Management

The Company has in place the Terms of Reference for the Board of Directors and the Management, which set out clearly the respective responsibilities, accountabilities and contributions of the Board and the Management. The Terms also specify the types of decisions taken by the Board and those delegated to the Management and the instances where board approval is required before committing the Company. The Terms of Reference are available on the Company's website. The Management consists of the Executive Committee and other senior management members.

D.1.1
D.1.2
D.1.3
I.(e)
T.

In summary, the Board is collectively responsible for the management and operations of the Company and its subsidiaries. The business and affairs of the Group are under the direction of and should vest with the Board. The Company is headed by an effective Board, which assumes responsibility for its leadership and control and is collectively responsible for promoting and contributing to its success by directing and supervising its affairs in a responsible and effective manner. The Board accepts that it is ultimately responsible for the performance and affairs of the Group.

The Board is elected by and is ultimately accountable to the Shareholders and is the ultimate decision making body of the Group except for those matters reserved for Shareholders by the Articles of Association of the Company and the Listing Rules.

While the Board retains oversight responsibility, certain of the management and administration functions are delegated by the Board to the Management. The Board diligently monitors the Management's performance in that regard but responsibility for conducting the Company's day-to-day management of business rests with the Management. The Management is ultimately accountable to the Board.

Directors and officers liability insurance policy

The Company has since around 2001 taken out a directors and officers liability insurance policy with a respectable insurer for liabilities arising out of activities from being Directors and officers of the Group. The adequacy of the amount of cover is reviewed each year upon renewal of the policy. The policy is available for inspection by the Directors upon request. No claim has been made since the policy was effective.

A.1.8

Board Committees

All our Board Committees have clear terms of reference. The findings, decisions and recommendations made at each meeting during the financial year have been reported back to the Board by the chairman of each Board Committee, except for the Risk Management Committee where such findings, decisions and recommendations are reported by the Director of Internal Audit and Management Services to the Audit Committee whose chairman in turn reports to the Board.

D.2.1
D.2.2

Audit Committee

Composition

The Audit Committee has been in operation since 13 October 1999. Committee members are all INEDs, a higher majority than that required by the Listing Rules. The Chairman of the Committee, Professor CHAN Yuk Shee possesses the appropriate related financial management expertise as required by Rule 3.10(2) of the Listing Rules. The complete independence of our Audit Committee is to ensure that our financial reporting system and internal controls are reliable. None of our Audit Committee members is a former partner of our existing auditing firm, PwC. C.3.2
L.(b)

Representatives including the Engagement Partner of our external auditor, PwC, attended our Audit Committee meetings to answer any question that members of the Committee may have regarding their audit work. The Chairman and CEO, Vice-chairman, CFO and Director of Internal Audit and Management Services were invited to all the meetings of the Audit Committee to provide information, clarifications or explanations. Members of the management team were also invited when necessary. The attendance record of individual Committee members at the meetings are set out on page 129 of this Corporate Governance Report.

Responsibilities

The Audit Committee is primarily responsible for reviewing and monitoring the relationship between the Company and its auditor, monitoring the integrity of the Group's financial information and overseeing the effectiveness of the Group's financial controls, internal control and risk management systems. C.3.3
L.(a)

Assistance from the Internal Audit and Management Services Department

The Audit Committee is well supported by the Director of Internal Audit and Management Services and its Department. The Director of Internal Audit and Management Services reports directly to the Audit Committee on a quarterly basis and has direct access to the Chairman of the Audit Committee. C.3.6

During the year ended 31 March 2013, the Committee held three meetings (more than twice a year as required in Code Provision C.3.3(e)(i) of the CG Code), a summary of their work undertaken (including events considered up to the date of this Annual Report) is as follows: C.3.3(e)(i)
L.(d)(iv)

1. review of the annual audit plan, communications plan, nature and scope of the audit and reporting obligations of the external auditor; C.3.3(b)
2. review of the terms of engagement letters with the external auditor, their independence confirmation, the effectiveness of the audit process and the audit and non-audit services undertaken by the external auditor;
3. review of the management representation letters to be submitted to the external auditor, confirming, amongst other things, that the Company has maintained an effective internal control system; C.3.3(k)
C.3.3(l)

Corporate Governance Report

4. review of the financial information of the Group including the annual and interim financial statements, unaudited quarterly operational updates for the first and third quarters before submission to the Board for approval, with particular focus on any changes in accounting policies and practices, major judgmental areas, significant adjustments, the going concern assumption, and compliance with accounting standards and regulatory requirements; C.3.3(d)(i) to (vi)
5. review of the internal audit function and its effectiveness; C.3.3(i)
6. review of the progress and updates of the Group's internal control system, and its effectiveness, covering all material financial, operational and compliance controls and fraud indicators; C.3.3(f)(g)(h)
7. review of the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function; C.3.3(g)
8. review of the progress and updates of the risk management process; C.3.3(f)
9. review of the Group's foreign currency and treasury policies;
10. review of the Group's financial and accounting policies and practices; and C.3.3(j)
11. recommending to the Board for approval of payments of a final dividend for the year ended 31 March 2012, an interim dividend for the six months ended 30 September 2012 and a final dividend for the year ended 31 March 2013.

During the year, the Audit Committee held two private sessions with the external auditor without any of the Executive Directors or the Management being present. Note 1(iii) to C.3.3

All issues raised by the Audit Committee are addressed and/or dealt with by the relevant member of the management team and the work, findings and recommendations of the Audit Committee are reported regularly to the Board. During the year ended 31 March 2013, there was no disagreement between the Board and the Audit Committee regarding the external auditor and there was no issue of significant importance requiring disclosure in this Annual Report under the Listing Rules. C.3.5 Note 4 to M.

Overseeing the Company's relations with the external auditor

The Audit Committee oversees the Company's relation with the external auditor through reviewing its annual audit service plan, engagement letters, constantly reviewing its audit fees and non-audit fees, reviewing its performance before recommending its re-appointment, meeting with the external auditor without the presence of the Executive Directors to discuss matters that the external auditor may wish to raise. C.3.3(a) C.3.7(b) Note 1(i) to C.3.3

The Company has in place a Policy on Provision of Audit and Non-audit Services by the External Auditor to the Company setting out the types of audit and non-audit services that the Company may engage the external auditor to provide. Specific approval must be obtained from the Audit Committee for service not specified in this policy. Pursuant to this policy, the Company reviews twice a year the audit and non-audit services provided by the external auditor and the fees charged in order to ensure that their independence and objectivity can be maintained, in addition to reviewing the external auditor's own confirmation of independence.

C.3.3(c)

C.3.3(b)
Note 1(ii) to
C.3.3

The fees paid to the Company's external auditor, PwC, for the year ended 31 March 2013 amounted to approximately HK\$3,469,000, comprising audit fees of HK\$2,780,000 and non-audit fees of HK\$689,000. The non-audit services consist mainly of tax advisory services, interim review and report on gross sales of retail shop. Fees paid to other auditors were approximately HK\$906,000.

Remuneration Committee

Composition

The Company had initiated a remuneration body in December 1999 and a Remuneration Committee was officially established in March 2000. The Chairman of this Committee is an INED and 3 out of 4 Committee members are INEDs, a higher majority than that required by the Listing Rules. The Chairman and CEO are invited to all meetings of the Committee. The attendance record of individual Committee members at the meetings are set out on page 129 of this Corporate Governance Report.

L.(b)

Responsibilities

The Remuneration Committee is primarily responsible for determining the policy for the remuneration of executive Directors, assessing their performance and approving the terms and conditions of their service contracts, to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management and to make recommendations on the remuneration of NEDs.

B.1.2(c)(i)
L.(a)

Assistance from Human Resources Department

The Company's Human Resources Department assists the Remuneration Committee in obtaining up-to-date information of the prevailing market compensation packages of comparable companies in the market. These compensation packages are then used as a benchmark to ensure that the remuneration packages offered to Directors and senior management remain appropriate and competitive. The Vice President of Human Resources Department is available at each meeting of the Remuneration Committee to provide information and answer any questions that Committee members may have.

B.1.1
B.1.4

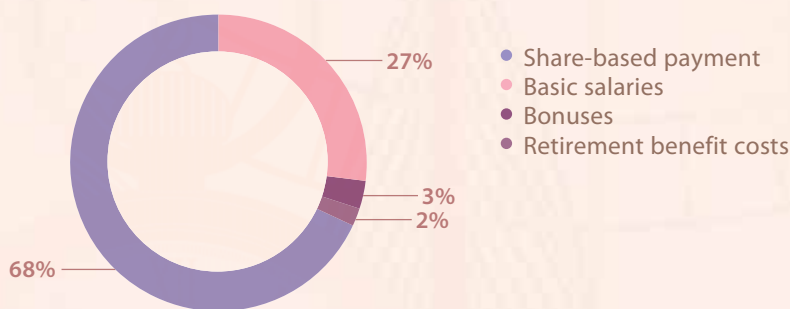
Corporate Governance Report

Remuneration Policy for Directors and Senior Management

The Company has in place a Remuneration Policy for Directors and Senior Management, establishing a formal and transparent procedure for developing the Company's policy and structure for the remuneration of all Directors and senior management, such that the remuneration packages offered by the Company are competitive, adequate (but not excessive) and in line with current market practices to attract, retain, motivate and reward our Directors and senior management. The Company will then have sufficient, experienced and competent manpower on board to achieve the Company's corporate goals and objectives. B.1.1
B.1.2(a)

In particular, the remuneration package of employees and executive Directors comprises fixed and variable components, ensuring an appropriate and balanced remuneration package that links Shareholders' interests with those of employees and executive Directors. The variable components in turn comprise performance-based bonus and share options. Executive Directors will not receive any further director's fees. One of our executive Directors has a share-based payment. The exercise of the share options granted are in part subject to vesting periods ranging from 1 year to 3 years and the balance is subject to certain performance targets that must be achieved. B.1.7

Pay Mix of Executive Directors



Details of the share option scheme and details of the share options granted thereunder are set out on pages 146 to 151 of the Report of the Directors. We grant share options to our employees around the same time each year. During the past two years in 2011 and 2012, we granted share options to our employees in June. The vesting period is 3 years or is subject to certain performance targets that must be achieved. To enhance our transparency, we will publish an announcement immediately after options are granted.

In regard to non-executive Directors, their remuneration is determined with reference to that of companies of comparable business and scale. Our Non-executive Directors receive an annual director's fee of HK\$257,400 each during the year under review. They will not receive any share-based payment, discretionary bonus or retirement benefits. For those acting as chairman of Audit Committee, Remuneration Committee and Nomination Committee, an additional fee of HK\$8,000 is paid for each of the committee meetings they preside in. B.1.2(d)
B.1.2(e)

Particulars of the remuneration of all our Directors are set out in note 7 to the consolidated financial statements on pages 185 to 188 of this Annual Report. The remunerations by band payable to those senior management members whose names appear on pages 54 to 55 the Biographical Information of Directors and Senior Management of this Annual Report are set out in note 7 to the consolidated financial statements on page 188 of this Annual Report. B.1.5

During the year ended 31 March 2013, the Committee held one meeting. A summary of their work undertaken (including events considered up to the date of this Annual Report) is as follows: L.(d)(i)

1. recommended to the Board for approval a new share option scheme so that the Company may continue to grant share options to Directors and staff as the previous scheme expired in August 2012;
2. conducted an annual review of the remuneration structure and packages of our Directors by comparing the fees payable by companies in the retail and consumer goods industry and listed in Hong Kong. The meeting concluded that the remuneration package of our executive and non-executive Directors should remain unchanged for the financial year 2013/14; and B.1.2(d)
B.1.2(e)
3. approved the proposed remuneration package of senior management (Grade 01 to 02) for the financial year 2013/14 based on their performance and the market practices. B.1.2(b)

Nomination Committee

Composition

The Board established the Nomination Committee on 31 March 2005. The Chairman of this Committee is an INED and 2 out of 3 Committee members are INEDs, a higher majority than that required by the CG Code. The member who is not an INED is the Vice-chairman and an Executive Director of the Board who has a good understanding of what the Company needs when it comes to nomination of Directors and senior management. The Chairman and CEO are invited to all meetings of the Committee. The attendance record of individual Committee members at the meetings are set out on page 129 of this Corporate Governance Report. A.5.1
L.(b)

Responsibilities

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive Directors, making recommendations on the appointment or re-appointment of Directors and determining the policy for nomination of Directors. L.(a)

Assistance from Human Resources Department

The Company's Human Resources Department assists the Nomination Committee in obtaining latest data as to the structure and composition of board and board committees of companies listed in Hong Kong. The data of those listed companies that are comparable to the Company are used as a benchmark to review and assess the structure and composition of the Board and its Board committees. A.5.4
B.1.1



Corporate Governance Report

Nomination of directors

The Committee has adopted:

1. the Nomination Policy, setting out the nomination criteria, procedures and process for nomination of Directors; and
2. the Procedures for Shareholders to Propose a Person for Election as a Director (pursuant to the requirement of Rule 13.51D of the Listing Rules), providing transparency to the procedures by which Shareholders can nominate Directors.

During the year ended 31 March 2013, the Nomination Committee held two meetings. A summary of the work undertaken (including events considered up to the date of this Annual Report) is as follows: L.(d)(ii)

1. reviewed the independence of Mr TAN Wee Seng and recommended his re-designation from an NED to an INED to the Board for approval;
2. reviewed and recommended the appointment of Ms LEE Yun Chun Marie-christine as an NED to the Board for approval, details of which are set out on page 112 of this Corporate Governance Report; A.5.2(b)
A.5.2(d)
3. resolved that having reviewed the benchmarks of other listed companies in Hong Kong and considered the Company's own needs, it was not necessary to change the structure, size and composition of the Board and its Committees; A.5.2(a)
4. reviewed and was satisfied that each of the INEDs was and remained independent during the financial years 2011/12 and 2012/13 upon reviewing their annual confirmation of independence and upon an interpretation of the guidelines set out in Rule 3.13 of the Listing Rules. It is confirmed that they all continued to demonstrate strong independence of judgment and are free from any business or other relationship that could interfere with their ability to discharge their duties effectively; and A.5.2(c)
5. reviewed and recommended the re-appointment of Ms KI Man Fung Leonie, Ms TAM Wai Chu Maria, Mr TAN Wee Seng and Ms LEE Yun Chun Marie-christine as a director of the Company. A.5.2(d)

Executive Committee

The Executive Committee consists of all three Executive Directors. It provides leadership in the day-to-day running of the Group's business. Being part of the management team, the Executive Committee held meetings on a regular basis. In the year ended 31 March 2013, seven meetings were held. The attendance record of individual Committee members at the meetings are set out on page 129 of this Corporate Governance Report. L.(a)
L.(b)

The Management consists of the Executive Committee along with other senior management members. It is responsible for contributing to the success of the implementation of the corporate strategy and directions as determined by the Board from time to time. In doing so, the Management applies business principles and ethics that are consistent with those expected by the Board and Shareholders of the Company.

Management meetings

In addition, the Executive Committee and the management team (comprising all departmental heads) meet regularly together to review, discuss and make decisions on financial and operational matters. In the year ended 31 March 2013, seven management meetings were held which enhanced and strengthened cross departmental communications, coordination and co-operation within the Group. Members of the management team also gather on an informal basis, such as participating in off-site strategic meetings and team building activities to further enhance mutual understanding and empathy amongst themselves.

Risk Management Committee

The Risk Management Committee consists of all three Executive Directors. The attendance record of individual Committee members at the meetings are set out on page 129 of this Corporate Governance Report. Please refer to page 140 of the Enterprise Risk Management Report for details of this Committee.

Compliance with the Code Provisions and recommended best practices

Throughout the year ended 31 December 2013 and up to the date of this Annual Report, the Company has applied the principles of the Corporate Governance Code and in some instances complied with the recommended best practices, as well as complying with all the Code Provisions except Code Provision A.2.1 as discussed below.

Chairman and Chief Executive Officer

The Company has deviated from Code Provision A.2.1 in that Dr KWOK Siu Ming Simon is both the Chairman and CEO of the Company. The respective responsibilities of the Chairman and CEO, however, are clearly set out in the Terms of Reference for the Chairman and the Chief Executive Officer, which are available on the Company's website. 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 the effectiveness of its operations. The Board will nevertheless review this structure from time to time and will consider the segregation of the two roles at the appropriate time.

Achieving better corporate governance

Corporate Governance enables the Board to provide constructive guidance and to monitor the performance and risks of the Group. The Board is well informed of all relevant business, operations, finance and governance matters of the Group on a regular basis.

Our Directors are always given complete, timely and accurate information to enable them to make informed decisions. The individual member of the management team responsible for the matter placed before the Board is available to provide further information or answer questions either in Board meetings or through telephone or written enquiries coordinated by the Company Secretary. All Directors have been supplied with contact details of our senior management by which Directors can contact them directly without hindrance when necessary. The Company has in place Guidelines for Directors to Obtain Professional Advice by which a Director can on an individual basis obtain professional advice at the Company's expenses in appropriate circumstances.



Corporate Governance Report

Financial Reporting

Executive Directors are provided with a wide range of reports on daily, weekly and monthly intervals and are fully aware of the Company's latest performance, position and prospects. Non-executive Directors are provided with monthly financial updates to keep them apprised of the latest financial situation of the Company. C.1.2

All Directors are provided with financial information and relevant reviews and updates on the Group's performance each time they are required to approve financial or other matters. Where necessary, explanation and additional information are provided in a timely manner to enable the Board to make informed assessment. The Board is assisted by a group of dedicated employees who are qualified in the fields of accounting, law and public companies' disclosure requirements and who ensure that the information presented is balanced, clear and understandable. C.1.1 C.1.5

The Directors acknowledge their responsibility for the preparation of financial statements that give a true and fair view of the Group's state of affairs, results and cashflow for the year. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. C.1.3 Note 1 to M.

With the assistance of our Finance and Accounting Department, which is under the supervision of the CFO, the Directors ensure that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards. In preparing the financial statements for the year ended 31 March 2013, the Directors: C.1.1

1. approved the adoption of all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;
2. selected and applied consistently appropriate accounting policies;
3. made judgments and estimates that were prudent and reasonable; and
4. prepared the financial statements on the basis that the Company would continue as a going concern.

The Independent Auditor's Report on pages 160 to 161 of this Annual Report sets out the reporting responsibilities of PwC, the external auditor of the Company. C.1.3

Please refer to pages 40 to 44 under Management Discussion & Analysis of this Annual Report for the discussion of the strategy and business model for delivering the Company's objectives. C.1.4

Discussion of strategies by the Board

One of the important agenda of the Board is to discuss the strategic development of the Company. Non-Executive Directors would request in advance of the Board Meetings areas of major interest and concern that would require Board discussions. These have included the Mainland China market, Owned Brands, inventory management, development of markets outside of Hong Kong and Mainland China, marketing and logistics. Members of senior management are required to present to the Board comprehensively the strategic thinking and execution plans for discussions and deliberations. Senior management would then make amendments to strategies and action plans as appropriate to address issues that have been agreed. C.1.4

Induction

Our Policy on the Induction of and Continuous Professional Development for Directors (which is available ^{A.6.1} on the Company's website) provides that to carry out their duties, Directors upon their appointment have to be adequately familiar and acquainted with the Company and its operation and business. As such, a comprehensive Induction Handbook for New Directors, containing relevant information with which Directors can equip themselves, is provided to Directors upon their first appointment. Arrangements may also be made for them to meet in person various personnel from the Company in order for the latter to discuss with and brief new Directors on topics that fall within their purview. Subsequent briefings are provided to the Directors as and when necessary.

An induction was provided to Ms LEE Yun Chun Marie-christine who was appointed as an NED during the year under review. Some of the topics in Induction Handbook include:

- Corporate profile, including vision and mission of the Company;
- Governance framework;
- Duties of directors; and
- Terms of Reference regarding Board and Board committees, and important policies of the Company.

Constant review on the sufficiency of induction being given to Ms LEE will be made and further induction will be provided if necessary.

Continuous Professional Development

All Directors are required to participate in continuous professional development to develop and refresh ^{A.6.5} their knowledge and skills. The Company has arranged three in-house trainings for the Directors during the year under review and up to the date of this Annual Report. We also circulate from time to time details of other relevant professional development courses and encourage Directors to participate at the Company's cost. The Company updates the Directors of the Company's latest developments by sending them "Sa Sa quarterly newsletters" and press releases, in addition to those required under the Listing Rules.

Corporate Governance Report

The Company has arranged the following in-house trainings for our Directors:

Date	Course
10 August 2012	"Hong Kong regulatory compliance matters" conducted by a reputable Hong Kong law firm
15 November 2012	"Ethics – The code value of leadership" conducted by the Independent Commission Against Corruption
12 April 2013	"How to be an effective board" conducted by the Hong Kong Institute of Directors

The Company has devised a training record to assist Directors to record their trainings attended and they submit their respective signed training records to the Company on a quarterly basis.

The table below shows the Directors' participation in continuous professional development during the year under review and up to the date of this Annual Report:

Participation of Directors in Continuous Professional Development

I.(i)

	Type of Continuous Professional Development		
	Attending induction, director's training, seminars or conferences relating to directors' duties or other relevant topics	Reviewing legislative or regulatory updates	Reviewing information relevant to the Company or its business, or attending corporate events or shop visits
Dr KWOK Siu Ming Simon	✓	✓	✓
Dr KWOK LAW Kwai Chun Eleanor	✓	✓	✓
Mr LOOK Guy	✓	✓	✓
Mrs LEE LOOK Ngan Kwan Christina ^(a)	✓	✓	✓
Ms LEE Yun Chun Marie-christine ^(b)	✓	✓	✓
Professor CHAN Yuk Shee	✓	✓	✓
Dr LEUNG Kwok Fai Thomas	✓	✓	✓
Ms TAM Wai Chu Maria	✓	✓	✓
Ms KI Man Fung Leonie	✓	✓	✓
Mr TAN Wee Seng	✓	✓	✓

Notes:

- (a) Mrs LEE LOOK Ngan Kwan Christina retired as an NED at the AGM on 23 August 2012
 (b) Ms LEE Yun Chun Marie-christine was appointed as an NED on 26 February 2013

Participation in related external bodies, organizations, conferences and seminars

The Company encourages our Directors, senior management and colleagues to actively participate in relevant external bodies and organizations and attend relevant seminars and conferences to keep abreast of recent developments. Through active participation, valuable knowledge will be gained and more importantly corporate culture can be cultivated. Some of our Directors, senior management and colleagues are members of the following professional, public service or government bodies, and some also serve in various committees and panels belonging to these bodies. They can voice out their concerns and opinions on issues or regulatory changes through participation in these bodies:

- Hong Kong Institute of Certified Public Accountants
- Law Society of Hong Kong
- The Institute of Internal Auditors
- The Association of Certified Fraud Examiners
- The Hong Kong Institute of Chartered Secretaries
- The Hong Kong Investor Relations Association
- The Cosmetic & Perfumery Association of Hong Kong
- Hong Kong Retail Management Association
- The Hong Kong Institute of Directors
- various advisory committees of the Hong Kong Government or other public bodies

Participation by Directors in committees and panels of these professional, public service or government bodies include:

- President, Councillor and Honorary Life President of the Cosmetic & Perfumery Association of Hong Kong;
- Vice-chairman of the Quality Tourism Services Association Governing Council;
- Honorary President and a Council Member of The Hong Kong Federation of Women;
- Membership of the Professional Accountants in Business Leadership Panel of Hong Kong Institute of Certified Public Accountants;
- Vice Chairman of the Hong Kong Retail Management Association;
- Membership of the Statistics Advisory Board, the Energy Advisory Committee and the Task Force on Manpower Development of the Retail Industry of the Government of the Hong Kong Special Administrative Region;
- Deputy to the National People's Congress of The People's Republic of China; and
- Honorary Secretary of Wu Zhi Qiao (Bridge to China) Charitable Foundation.



Corporate Governance Report

The topics of the conferences and seminars attended by our Directors, senior management and colleagues during the year include:

- KPMG Independent Non-Executive Directors Forum organized by KPMG;
- New Standard on Fair Value Measurement organized by Hong Kong Institute of Certified Public Accountants;
- Non-Executive Director Programme: Corporate Governance and Listing – What Comes Next? organized by PwC;
- Non-Executive Director Programme: Board Effectiveness: What Works Best organized by PwC and Hong Kong Institute of Directors;
- Whistle-blowing practice update organized by the Hong Kong Institute of Certified Public Accountants;
- Corporate governance for fraud prevention organized by the Association of Certified Fraud Examiners;
- How to have Effective Communication with Investors organized by the Hong Kong Investor Relations Association;
- Asialaw Asia Pacific In-house Counsel Summit 2013 organized by China Law & Practice;
- 14th Annual Corporate and Regulatory Update organized by the Hong Kong Institute of Chartered Secretaries; and
- CSR Asia Summit 2012 organized by CSR Asia.

Time Commitment of Directors

NEDs are required to keep a record of their time spent in the affairs of the Company. They have also been A.6.3 reminded that they must take an active interest in the Company's affairs, obtain a general understanding of its business and follow up anything untoward that comes to their attention. During the year under review, the Board conducted a review of the time commitment of Directors and received confirmations from each of the Directors and noted that they have given sufficient time and attention to the affairs of the Company.

At each Director's first appointment and subsequent re-appointment, the Director is required to disclose A.6.6 to the Company the number and nature of offices held in public companies or organizations and other significant commitments as well as the time involved. The Director is also required to notify the Company, and in certain cases, seek the consent of the Board, immediately whenever there are changes to the offices and commitments already disclosed.

Corporate Governance Report

Individual attendance records of our Directors at Board and Board Committees Meetings during the year ended 31 March 2013, demonstrating satisfactory attendance, are set out below. Please also refer to the charts below for the duration of our meetings and the volume of papers reviewed at such meetings:

Directors' Attendance at Board meetings, Board Committee meetings and AGM^(a)

I.(b)(c)(d)
L.(c)

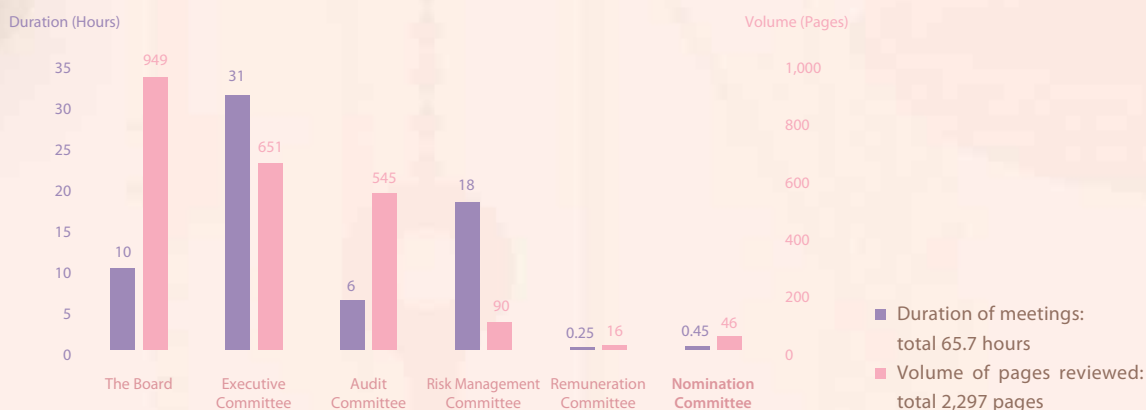
Name of Directors	Board meeting	Executive Committee meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Risk Management Committee meeting	Annual general meeting
Executive Directors							
Dr KWOK Siu Ming Simon	4/4	7/7	3/3 ^(b)	1/1 ^(b)	2/2 ^(b)	6/6	1/1
Dr KWOK LAW Kwai Chun Eleanor	4/4	7/7	1/3 ^(b)	1/1	2/2	5/6	1/1
Mr LOOK Guy	3/4	6/7	2/3 ^(b)	N/A	N/A	5/6	1/1
NEDs							
Mrs LEE LOOK Ngan Kwan Christina ^(c)	1/2	N/A	N/A	N/A	N/A	N/A	0/1
Ms LEE Yun Chun Marie-christine ^(d)	1/1	N/A	N/A	N/A	N/A	N/A	N/A
INEDs							
Professor CHAN Yuk Shee	4/4	N/A	3/3	N/A	N/A	N/A	1/1
Dr LEUNG Kwok Fai Thomas	4/4	N/A	3/3	1/1	2/2	N/A	1/1
Ms TAM Wai Chu Maria	4/4	N/A	3/3	1/1	2/2	N/A	1/1
Ms KI Man Fung Leonie	4/4	N/A	3/3	1/1	N/A	N/A	1/1
Mr TAN Wee Seng	4/4	N/A	N/A	N/A	N/A	N/A	1/1
Total No. of Meetings Held	4	7	3	1	2	6	1
Average Attendance Rate^(e)	94.3%	95.2%	100%	100%	100%	88.9%	88.9%

Notes:

- The figure after the slash is the number of meetings that the Director was required or invited to attend during the year under review.
- Attended as an invitee only.
- Mrs LEE LOOK Ngan Kwan Christina retired as an NED at the AGM on 23 August 2012.
- Ms LEE Yun Chun Marie-christine was appointed as an NED on 26 February 2013.
- Excludes the attendance of those participants who attended as invitees.

Corporate Governance Report

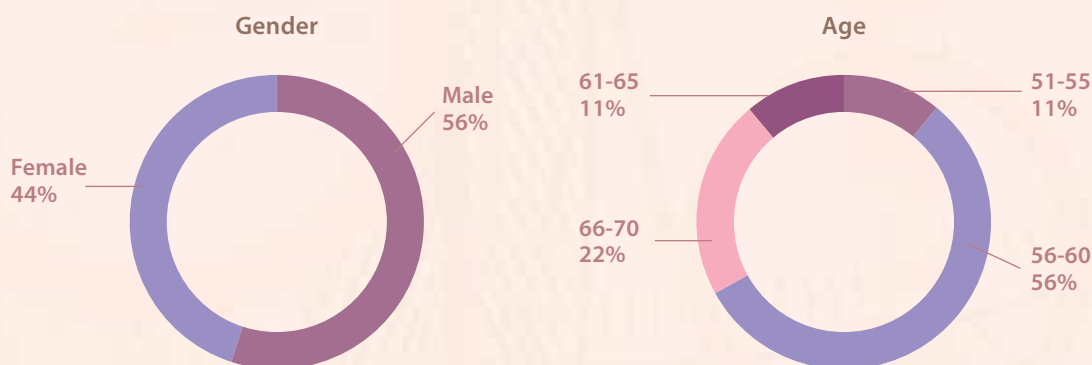
Duration of meetings and volume of papers reviewed




Board Diversity

Our Board is composed of members from a diverse background. We excel in gender equality as female A.6.7 Directors account for 44% of the whole Board. Our CFO and an INED is a qualified accountant. Another INED is a qualified barrister. Our Chairman and Vice-chairman received numerous prestigious awards, recognizing their achievements in entrepreneurship. The Chairman of our Audit Committee who is an academic in the fields of business and finance is the president of a local university. Four Directors have experience sitting on the boards of other companies listed on Stock Exchange of Hong Kong or New York Stock Exchange. Our Directors have extensive experiences in retail business, finance and accounting, business strategy, management consultancy, communications and marketing, branding, advertising, and exposure or experience in various countries including China, etc. They are members, or committee or panel members of various professional or industry bodies, public service or government bodies or charities. Our Directors bring a wealth of diverse experience to the board room, which is conducive to the growth of the Company over the years.


Gender and Age distribution of our Board Members



Our Chairman, Dr KWOK Siu Ming Simon joined the 30% Club as a member to advocate board diversity. Being an outreach arm of the Women's Foundation, the 30% Club is a group of chairmen and business leaders who are committed to bringing more women onto Hong Kong corporate boards. Below is the quote from Dr Kwok on board diversity:



“Women have been at the very heart of Sa Sa since we began operations some 35 years ago. One of our two founders, Ms Eleanor Kwok (Vice-chairman), is a capable woman. Women account for 44% of the board and 59% of our senior management. The strong representation of women is reflective of and supports the composition of our customer base. We have a natural and innate inclination to listen to and respect the voices of women. They possess a wealth of knowledge, unique thinking, expertise and skills that the company can tap into. And in many ways, they are the driving force behind Sa Sa’s success. We would like to set a good example to other companies to strive for gender diversity in the workplace, in senior management and in the boardroom which we believe will be conducive to the success of their business.”



Internal Controls and Risk Management

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

- compliance with applicable laws, regulations, policies, procedures and contracts
- effectiveness of risk management process
- reliability and integrity of financial reporting
- effectiveness and efficiency of operations
- fraud and irregularities



Corporate Governance Report

Governance, Risk and Control Framework

The Group has developed and enforced ethical business practice and demonstrated commitment to effective governance, setting the tone for internal controls. A whistleblowing system is in place which is communicated to all employees. The whistleblowing system, reviewed in 2012, facilitates and encourages reporting in good faith of any suspected improprieties without fear of reprisal. In addition, conflict of interest policy and gifts and entertainment policy have been installed in providing employees with proper guidelines and a reporting mechanism for declaration.

The Board has delegated to the Executive Committee the responsibility to design, operate and monitor a suitable system of internal controls for identifying and evaluating the risks and probable exposures faced by the Group. The Executive Committee is accountable to the Board for providing assurance on managing and monitoring the system of internal controls. C.2.4(a)

To inculcate and promote ethical and risk aware culture throughout the Group, training sessions on corporate ethical policies, risk management and internal controls were provided to major business units.

Risk Management Framework

The Group's Enterprise Risk Management ("ERM") framework provides a systematic approach to risk management process, which is embedded in the system of internal controls as an integral part of corporate governance. The ERM framework helps sustain business success, creates value for stakeholders and supports the Board in discharging its corporate governance responsibilities by proactively identifying, addressing and managing key risks covering all major business operations of the Group. The ERM framework is aligned with the Committee of the Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Integrated Framework in which line management take direct risk management responsibilities and report to the Risk Management Committee ("RMC") as risk owners. C.2.3(a)
C.2.4(b)

Details of the ERM System and process are set out in the Enterprise Risk Management Report on pages 140 to 144 of this Annual Report.

Quality Management System

The Group has refined and formalized retail and e-commerce operational policies, procedures and working instructions, benchmarked against the International Organization for Standardization ("ISO") based Quality Management System ("QMS") to standardize workflows and documentation. QMS enhances operation effectiveness, efficiency and control processes in achieving business goals and to enable scalability in accommodating business growth and mitigating operation risks.

The Group has initiated a series of steps to attain ISO 9001:2008 accreditation for major business functions and units. This requires regular review and updates on corresponding policies and procedures to in line with work process changes. Management review meetings are held to evaluate the ISO implementation progress and ISO 9001 training courses were provided to staff for preparing accreditation.

Internal Audit Function

The Internal Audit and Management Services Department (“IAMS Department”) is an independent function within the Group. The IAMS Department comprises 12 professional staffs, include two teams based in Mainland China and Malaysia which report to the IAMS Department in Hong Kong. The Director of Internal Audit and Management Services reports directly to the Audit Committee on a quarterly basis and has direct access to the chairman of the Audit Committee. C.3.3(i)
S.(a)(iii)

The IAMS Department has unrestricted access to reviewing all aspects of the Group’s activities, risk management, control and corporate governance processes and assists the Board to independently assess the effectiveness of the internal control systems and risk management process and to seek continuous improvement. The Internal Audit Charter which is available on the Company’s website was approved by the Audit Committee and adopted by the Board in 2010. Under the Internal Audit Charter, the IAMS Department assists the Board in promoting sound risk management and corporate governance.

During the year, the Group set up the IAMS Department in Malaysia office to accommodate continuous business growth in Singapore and Malaysia and further strengthen and uphold internal control quality and effectiveness.

Internal Audit Activities

When establishing the annual risk-based audit plan, the IAMS Department assesses potential fraud risk exposure and ERM process in determining the priorities and frequencies of the internal audit activities which are consistent with the Group’s strategic goals. C.2.3(b)
S.(a)(v)

Significant risk areas and fraud indicators are further assessed during individual engagement to evaluate control effectiveness and mitigation measures taken by management in fraud deterrence. The Audit Committee reviews and approves the annual audit plan and all major subsequent changes made. The IAMS Department carries out internal audit activities in accordance with the approved annual audit plan.

All findings and recommendations on internal control deficiencies for each audit assignment are communicated to management. The IAMS Department works with the management to establish remedial plans to correct internal control deficiencies within a reasonable time period. Post-audit reviews are also scheduled and performed on a quarterly basis to monitor those agreed action plans and to ensure that corrective measures of previously identified internal control deficiencies have been implemented as intended and on a timely basis. Significant deficiencies of individual engagement are reported to and reviewed by the Audit Committee. In addition, the IAMS Department also follows up on the external auditor’s recommendations as part of its role in reviewing the Group’s system of internal controls. C.2.3(c)
C.2.4(d)

The IAMS Department evaluated the implementation effectiveness of the gifts and entertainment policy and data privacy measures undertaken by management and provided appropriate recommendations for further improvement.



Corporate Governance Report

The IAMS Department will employ a continuous audit process on selected key control processes to ascertain the adequacy and effectiveness of management's monitoring function on a much regular basis to enable timely reaction to operational risks. This further strengthens internal control system effectiveness and enhances audit efficiency to address internal control deficiencies and fraud exposures.

To facilitate and support e-commerce business growth, the Group will engage independent IT consultants to perform online and mobile website penetration tests, assist management in assessing and ascertaining the effectiveness of IT network infrastructure and corresponding security controls are adequately in place.

Review of Internal Control Effectiveness

Through the Audit Committee, the Board has conducted reviews of the effectiveness of the Group's internal control system for the year ended 31 March 2013, covering all material financial, operational and compliance controls, fraud indicators and risk management process, and considered the Group's internal control system effective and adequate. There were no suspected fraudulent irregularities or significant areas of concern identified during the period that might affect Shareholders.

C.2.1
Note 3 to M.
S.(a)(vi)
S.(a)(vii)
S.(a)(viii)
S.(a)(ix)

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

C.2.2

Monitoring latest regulatory updates

To establish a robust governance system, the Company keeps all Directors, management and employees apprised of the latest updates on various new legislative amendments, regulatory guidelines and relevant consultation papers such as "Consultation Conclusions on Environmental, Social and Governance Reporting Guide", "Trading Halts Consultation Paper", "Board Diversity Consultation Paper", new amendments to "Personal Data (Privacy) Ordinance" and "Competition Ordinance". The Company diligently reviewed the contents of the new legislations, conducted detailed discussions with relevant departments concerned, and prepared or updated appropriate guidelines and policies to ensure due compliance with all these recent amendments. We have reviewed and updated the Company's privacy policy and customer membership forms so that they comply with the amended the Personal Data (Privacy) Ordinance.

We solicited opinions from and alerted our marketing colleagues and frontline operations managers on the proposed amendments to the Trade Description Ordinance, so that we can reflect their opinions to the industry.

The Securities and Futures (Amendment) Ordinance 2012 regarding the codification of inside information became effective on 1 January 2013. The Company formulated the Inside Information Policy, which was approved by the Board in November 2012 and posted on the Company's website. The Company regularly reminds the Directors and employees about due compliance with all policies regarding inside information.

S.(a)(ii)

The Company will continue to monitor the latest developments in the regulatory environment, such as the new Competition Ordinance, amendments to the Trade Description Ordinance and Producer Responsibility Scheme on glass beverage bottles, which will affect the business of the Company in the future.

The Company participated in the consultation processes and provided appropriate feedback to the Stock Exchange of Hong Kong on the Trading Halt Consultation Paper and the Board Diversity Consultation Paper during the year.

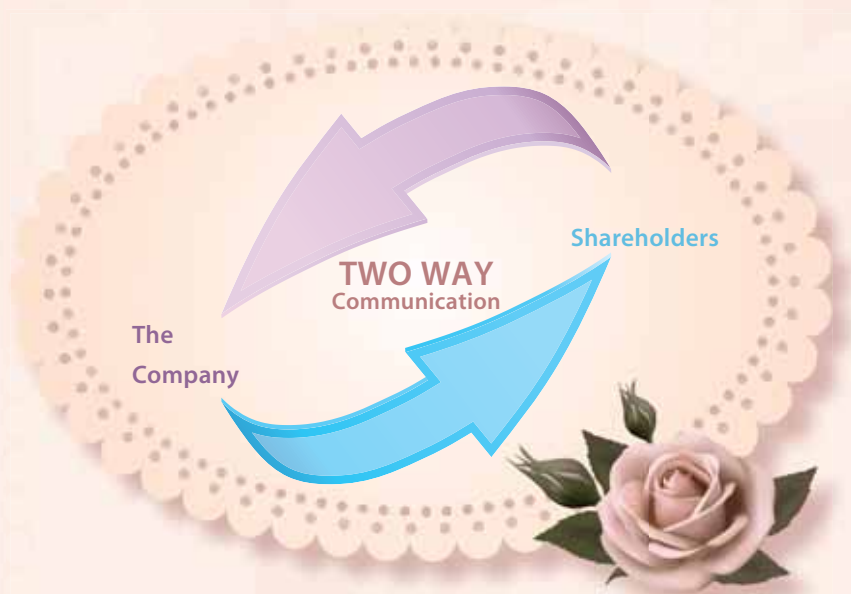
Code of conduct

The Company is committed to maintaining high standards with regard to behaviour at work and in all its working practices.

The Whistleblowing Policy of the Company (which is available on the Company's website) provides that C.3.8 employees may, in confidence, report serious concerns about malpractices or illegal acts that they become aware of directly to the Chairman of the Audit Committee. Proper arrangements are in place for the fair and independent investigation of all matters brought to the attention of the Committee and for appropriate follow-up actions.

The Company also has various written policies, such as Conflict of Interest Policy, Gifts and Entertainment Policy and Guidelines on Prevention of Bribery Ordinance (which are all available on the Company's website), setting out the standards of conduct that our employees are required to follow. In particular, pursuant to the Gifts and Entertainment Policy, employees of grade 4 or above are required to declare to the Company whether they have received any gift each year. The Human Resources Department has invited the Independent Commission Against Corruption to give talks to our employees on prevention of bribery in the workplace.

Pursuant to the Equal Opportunities Policy, the Company is committed to equal opportunity in employment and will not discriminate against any employee on the grounds of sex, pregnancy, disability, race, marital status or family circumstances.



Transparency

Investor relations – candid disclosure and two-way communications

While we are not yet in a position to follow the recommended best practice in reporting our results on a quarterly basis, we endeavour to provide frequent updates to our shareholders and potential investors, including those announcements we made during the year:

1. sales performance of the retail business in Hong Kong and Macau during the Chinese New Year;
2. sales performance of the retail business in Hong Kong and Macau during the Labour Day Holiday;
3. sales performance of the retail business in Hong Kong and Macau during the National Day Golden Week Holidays; and
4. unaudited operational update for the first and third quarters.

The Company's Chief Executive Officer, Chief Financial Officer and Director of Corporate Communications and Investor Relations are responsible for investor relations. The Company has in place a Shareholders' Communication Policy (which is available on the Company's website), setting out the aims and practices of the Company to have a two-way communication with Shareholders, individual and institutional investors, and the investment community at large. Please see the Investor Relations Report on pages 94 to 107 of this Annual Report for details of the communication platforms that the Company uses to maintain an ongoing dialogue with Shareholders and investors. A.2.8
E.1.4

Director of Corporate Communications and Investor Relations has been invited to report to the Board, so that the voices and opinions of our shareholders and the investment public can be brought into the board room for consideration and discussion. We have made this a regular item in our annual schedule, so that our Directors can be updated of our investor relations periodically and a two-way communication can be maintained.

Contacts are made with shareholders identified under Section 329 of the Securities and Futures Ordinance. We have revamped our corporate website to make it more user-friendly.

Other shareholders' rights

Pursuant to rule 13.51D of the Listing Rules, the Company has published the procedures for Shareholders to propose a person for election as a Director on its website. The document "Shareholders' Rights" (which is available on the Company's website) advises Shareholders of the following rights:

- How Shareholders Can Convene an Extraordinary General Meeting;
- Procedures for Shareholders to Put Enquiries to the Board; and
- Procedures for Shareholders to Put Forward Proposals at Shareholders' Meetings.

Communication with employees

The Company aspires to have a strong corporate governance culture within the whole organization. Supported by the senior management, the Board has taken the lead in enforcing a strong corporate governance framework. The good culture can then cascade from the top throughout the organization. With a strong vision and strategies in mind, and clearly defined procedures and controls in place, our employees will become disciplined and understand how to conduct their day-to-day business properly and with accountability and responsibility. Over time, the corporate governance framework becomes deeply ingrained in the mind of our directors and employees, it will become their culture and way of thinking. The corporate governance framework reflects the Group's mission of Making Life Beautiful for all of our stakeholders. It enables the Board, the management and employees to operate effectively and efficiently, making us accountable to all of our stakeholders, ensuring transparency and making our business strong and sustainable.

Ongoing and continuous efforts in strengthening our culture

Corporate governance is the foundation of how our Group determines strategic directions and executes them. Maintaining a balance between achieving our objectives and risks, it involves performance as well as compliance. As such, it can only be effective if it is built into our corporate culture, allowing us to align the interests of all our stakeholders. Our Environmental and Social Governance efforts are very much part of this effort. In the fiscal year 2013/14, we will continue to reinforce our corporate governance culture, so that it permeates the entire organization. The departments concerned will maintain a constant dialogue with colleagues and organize discussion sessions, so that they can be made aware of and understand the policies, procedures and practices that are in place to maintain a strong and sustainable culture of corporate governance. We will continue to benchmark Corporate Governance best practices for the purposes of enhancing our own practices.



Corporate Governance Report

Other Disclosures

Annual General Meeting

The chairman of the Board attended the AGM held on 23 August 2012. The chairman of each Board E.1.2
Committee was also present and available to answer questions at the AGM. R.(b)

The Company Secretary, Group Financial Controller, Director of Corporate Communications and Investor E.1.2
Relations and other selected members from the Company also attended the AGM together with our external
auditor, PwC to answer any question from Shareholders. When all the businesses on the agenda was dealt
with in the AGM, there was a Questions and Answer session where Shareholders' questions and proposals
were put to the Board and members of the management. these were then carefully considered and where
appropriate, acted upon. All Directors treasure the opportunity to canvass the views of the Shareholders in
AGMs held annually.

All voting at our general meetings has been conducted by poll since 2009. The detailed voting procedures E.2.1
are explained at the commencement of the meetings by a representative of our Hong Kong branch share
registrar and Shareholders are invited to raise questions relating thereto immediately after the explanation
or at any time throughout the proceedings of the meeting.

The Company arranged for the 2012 AGM notice including the accompanying circular to be sent to E.1.3
Shareholders about 31 clear business days before the meeting, i.e. well above the requirement of 20 clear
business days under Code Provision E.1.3, so that Shareholders can plan well ahead to attend our AGM. For
the past five years, the AGM notice was on average sent 38 clear business days before the meeting.

In the AGM, a separate resolution was proposed for each substantial issue, including the re-appointment of E.1.1
each of the two independent non-executive Directors.

The last AGM was held at 3rd Floor, Gold Mark Plaza, 502 Hennessy Road, Causeway Bay, Hong Kong. R.(b)
Particulars of the major items considered at the AGM were set out in the circular of 10 July 2012.
Shareholders who were not available to attend could appoint a proxy to attend and vote on his/her behalf.
Shareholders representing 1,972,535,186 shares voted in the AGM, being 69.9% of the total number of the
issued shares of the Company at the time (2,821,750,062 shares).

Each of the proposed ordinary resolutions was passed by more than 85% of the votes cast by way of poll at
the AGM. The major items discussed and the percentage of votes cast in favour of the resolutions were as
follows:

1. receiving the audited accounts and reports of Directors and independent auditor for the year ended
31 March 2012 (99.99%);
2. payment of a final dividend of 3.5 HK cents and a special dividend of 8.0 HK cents for the year ended
31 March 2012 (100%);

3. re-election of retiring Directors (99.13% and 99.79%);
4. re-appointment of external auditor (99.56%);
5. grant of general mandates to Directors to issue additional shares and to purchase the Company's shares (85.94% and 100%);
6. approval of the new share option scheme (86.68%); and
7. amendments to the Memorandum and Articles of Association (99.96%).

Pursuant to Rule 13.39(4) of the Listing Rules, the results of the poll were released by way of an announcement published on the Company's website and HKExnews website immediately after the AGM on the same date.

Company Secretary

The Company Secretary has always been a full time employee who has knowledge of the Company's affairs since the Company was listed in 1997. The Company Secretary attends all Board meetings and ensures that all Board procedures have been followed. The appointment of the current Company Secretary, Mr Tsang Sai Chung Kirk, was approved by the Board in August 2012. The Company Secretary reports to the Chairman of the Board. Mr Tsang graduated from and holds a Bachelor's Degree of Arts and a Postgraduate Certificate in Laws from The University of Hong Kong. He is a qualified solicitor in Hong Kong and has 20 years' legal experience in private practice and as an in-house counsel for various listed companies. He has attended various professional trainings during the year, which exceed the requirements of the Listing Rules.

Our Directors have access to the advice and services of the Company Secretary at all times. All Directors have contact details of Company Secretary and can have private and unfettered access to the Company Secretary to discuss, seek advice and obtain information on any matter that they wish to raise.

Amendments to the Memorandum and Articles of Association

Shareholders approved in the 2012 AGM the amendments to the Memorandum and Articles of Association of the Company pursuant to new Listing Rules amendments announced in October 2011. Details of the changes have been set out in the circular of 10 July 2012. The revised Memorandum and Articles of Association are published on HKExnews website and the Company's website.

Public float capitalisation

As at 31 March 2013, the public float capitalisation of the Company is HK\$7,382,880,213, representing approximately 34.8% of the total issued shares. The Company has complied with the minimum public float requirement under the Listing Rules.

Enterprise Risk Management Report

Effective risk management is fundamental to the achievement of the Group's strategic objectives. The ERM System has been in place since 2010 which provides clear responsibility and accountability structures for risk management, and consists of three major components comprising risk governance, risk infrastructure and oversight and assignment of risk ownership.

The Board is responsible for determining the Group's risk profile within risk appetite, overseeing the Group's risk management framework, reviewing the Group's key risks and mitigation strategies and ensuring the risk management effectiveness. The RMC reviews the management of these risks and effectiveness of mitigation strategies and controls.

Risk Management Committee

The Group formed the RMC in 2009, comprising all Executive Directors as part of the Group's commitment to further enhancing its control environment. The RMC, made up of three executive directors, has written terms of reference that set out the responsibilities of its members. It held six meetings for the year ended 31 March 2013. The RMC assists the Board in overseeing and monitoring the implementation and effectiveness of the ERM framework and processes, determines risk profile, reviews risk responses, and formulates a risk management strategy for the Group.

The Terms of Reference for the RMC were revised, updated and approved by the Board in 2012. These Terms of Reference are available on the Company's website.



Enterprise Risk Assessment

Risk assessment is the identification and analysis of existing and emerging risks to achieve the Group's objectives, forming a basis for determining how risk is managed in terms of likelihood and impact. A top-down and bottom-up approach is utilized to ensure a holistic risk management process. The top-down approach assesses and manages strategic risks to achieve the Group's objectives from top management, while the bottom-up approach is supported by cross-functional workshops with line management to identify and prioritize risks. High risk areas are categorized into Strategic, Operational, Financial and Compliance functions for more focused assessment and management.

In addition, the IAMS Department facilitated major business units of the Group to implement the Risk Control Self-Assessment ("RCSA") program, through the use of detailed questionnaires, requiring respective general managers and department heads to identify key risks within their areas of accountability and assess the adequacy and effectiveness of risk management and internal control system. The RCSA program results not only complements the Group's existing ERM system but also provides a more integrated Group-wide perspective on the effectiveness of the Group's risk and control framework.

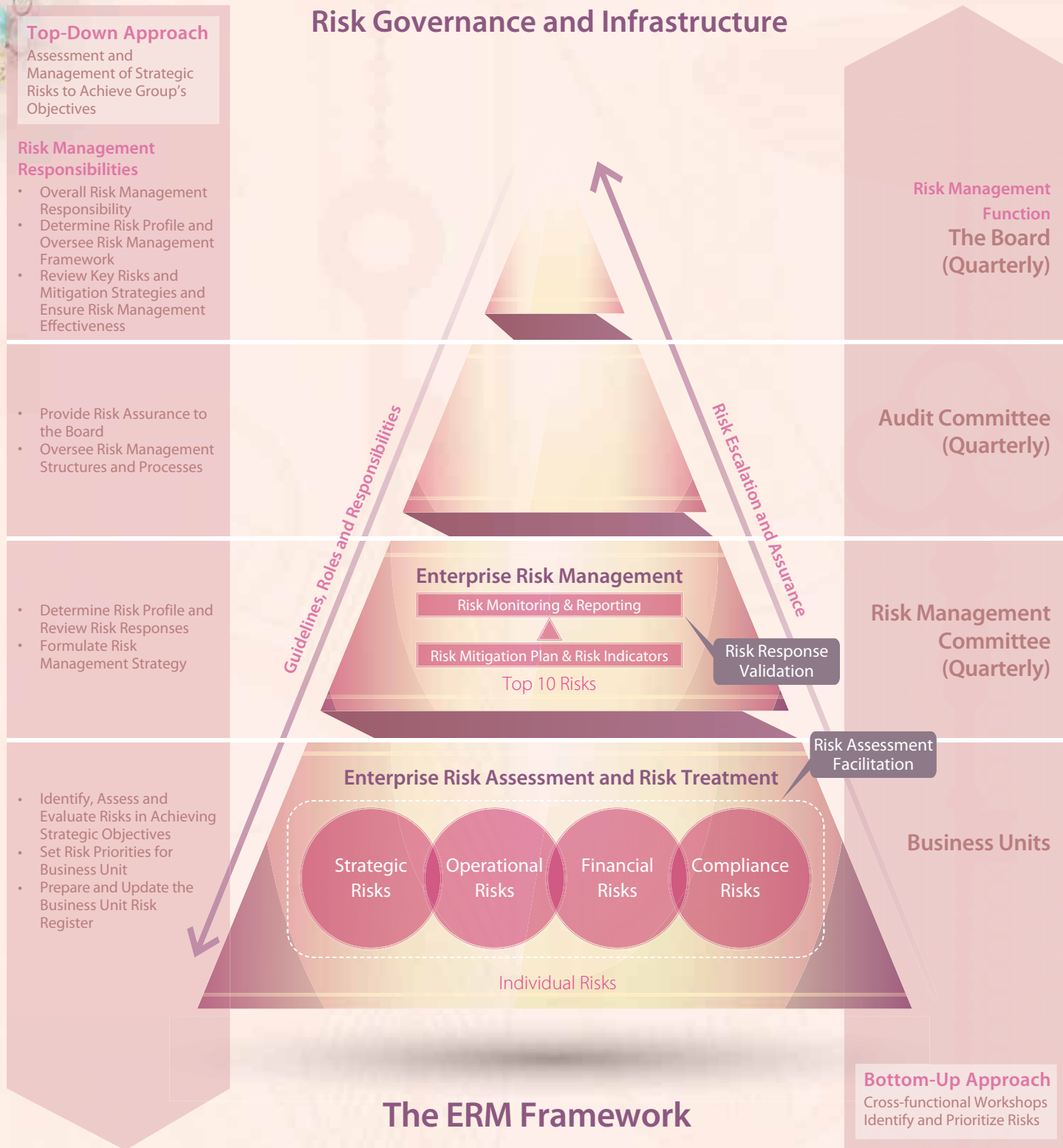
A Group risk register was compiled at the inception of the ERM System and has been regularly monitored and updated for continuous risk assessment purpose.

Enterprise Risk Management Process

The ERM System uses risk indicators and red flags to monitor the top 10 selected priority risks. The setting of risk indicator aligns with the risk tolerance, representing the risk magnitude the Group is willing to take in achieving its business goals. Additionally, a balance scorecard system has been implemented, incorporating key performance indicators to measure progress in achieving business goals. The balance scorecard system and the ERM System are harmonized, allowing the Group to monitor a comprehensive set of risks at the same time for better business performance.

The RMC meetings are held at least on a quarterly basis to review and discuss risk management progress of each of the top 10 priority risks and to provide continuous pulse of the business environment and monitor changes. If there are any risk indicators highlighted by red flags, responsible risk owners are required to propose, agree on remedial action plans and promptly follow up to ensure risks are properly managed. The IAMS Department carries out continuous assessment on the quality of risk management process and risk responses. A consolidated summary report is presented to the Audit Committee quarterly to enhance the accountability and quality of the risk management process.

Risk Governance and Infrastructure



Management of Key Risks

As the Group operates in a highly competitive and retail-based landscape, continuous and effective risk management is vital source towards achieving high performance and accomplishing business targets. Some key risks currently being managed are:

Talent Acquisition and Staff Retention

In view of the current competitive business environment, the Group is exposed to unhealthy and unacceptable staff turnover and vacancy rates which would ultimately affect productivity and business results. The Group has increased the number of recruitment spots and regularly benchmarked existing compensation benefits against market in acquiring talents to mitigate staff vacancy.

The Group mitigates staff turnover rate by conducting new recruits sharing session to strengthen bonding relationship and staff satisfaction survey as a means to understand and address career aspiration and personal development needs. As a result, the frontline staff career roadmap has been redefined to provide more flexibility for career development. In addition, a mentoring scheme is in place to provide guidance to frontline staff during career progression. There is also a management training programme for new graduates under which each management trainee is given the opportunity to develop a clear and personal career path. The Group has also launched functional training and development programs to upgrade staff competence.

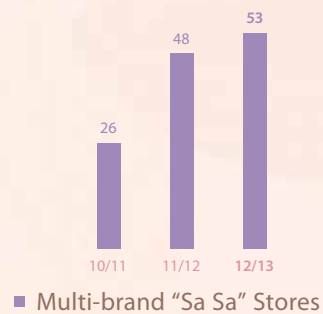


Enterprise Risk Management Report

Mainland China Business Growth

While the Group is taking progressive and disciplined steps in growing its market presence in the Mainland China, it is exposed to infrastructural risks, including weak local management team structure, inexperienced staffs and inadequate systems which may compromise scalability and business growth. The Group has implemented talent management and development program in acquiring competent management staff to strengthen local management foundation. Tailored selling and customer service training sessions are offered to frontline staff to enhance their capability and to improve personal and store performances. In addition, the Group is placing greater focus on process and system development, automating work processes and systems using Information Technology, continually upgrade inventory management and review product offering mix to cater for changing market conditions.

Mainland China Network



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 for the year ended 31 March 2013.

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 cosmetic products.

An analysis of the Group's turnover and results for the year by business segments is set out in Note 3 to the consolidated financial statements.

Results and appropriations

The results for the year are set out in the consolidated income statement on page 162.

An interim dividend of 2.5 HK cents (2012: 2.0 HK cents) per share and a special dividend of 4.5 HK cents (2012: 4.0 HK cents) per share were paid on 20 December 2012. The Directors recommend the payment of a final dividend of 5.0 HK cents (2012: 3.5 HK cents) per share and a special dividend of 9.0 HK cents (2012: 8.0 HK cents) per share, such dividends will be proposed for approval by shareholders at the AGM to be held on Thursday, 22 August 2013 and are payable to shareholders whose names appear on the Register of Members of the Company on 29 August 2013. Total dividends paid and to be declared in respect of the year ended 31 March 2013 amounted to HK\$396,125,000.

Major customers and suppliers

During the year, the percentage of purchases attributable to the Group's five largest suppliers combined and the percentage of sales attributable to the Group's five largest customers combined are both less than 30% of the Group's respective purchases and sales for the year.

Reserves

Details of the movements in reserves of the Group and the Company during the year are set out in Note 25 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 12 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 24 to the consolidated financial statements.

Report of the Directors

Share options

Share option schemes

(I) 2002 Share Option Scheme

The 2002 Share Option Scheme (the "2002 Share Option Scheme") was approved by the Shareholders at the AGM held on 29 August 2002. During the year, the 2002 Share Option Scheme was terminated and a new share option scheme (the "2012 Share Option Scheme") was adopted pursuant to resolutions passed by the Shareholders on 23 August 2012. The 2012 Share Option Scheme became unconditional and effective on 27 August 2012. Upon termination of the 2002 Share Option Scheme, no further options could be granted under the 2002 Share Option Scheme but the provision of the 2002 Share Option Scheme continued to govern options granted under this scheme up to and including 23 August 2012. 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 members of the Group who the Board or a duly authorised committee thereof considers, in its sole discretion, to 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 10% of the issued share capital of the Company on 29 August 2002, the date on which the 2002 Share Option Scheme was adopted (the "2002 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 2002 Scheme Mandate Limit.
 - (ii) The 2002 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 2002 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 2002 Scheme Mandate Limit.

Share options (continued)

Share option schemes (continued)

(I) 2002 Share Option Scheme (continued)

- (c) Total number of shares available for issue (continued)
 - (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 20 June 2013, the total number of shares available for issue under the 2002 Share Option Scheme was 48,686,780 shares, which represented 1.72% of the total issued share capital of the Company at that date.

- (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 (the "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 as consideration.
- (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 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 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.

Report of the Directors

Share options (continued)

Share option schemes (continued)

(I) 2002 Share Option Scheme (continued)

- (i) Remaining life of the 2002 Share Option Scheme
On 23 August 2012, the 2002 Share Option Scheme was terminated pursuant to resolutions passed by the Shareholders at the annual general meeting.

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

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 2012	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 March 2013
Director											
Mr LOOK Guy	2 March 2009	1.095	-	29 February 2012 to 1 March 2019	3 years	5.93	4,500,000	-	(4,000,000)	-	500,000
					note (1)	4.43	3,500,000	-	(3,500,000)	-	-
					note (1)	4.98	4,500,000	-	(4,500,000)	-	-
					note (1)	-	4,500,000	-	-	-	4,500,000
	1 March 2012	4.77	-	28 February 2013 to 28 February 2022	1 year	-	4,690,998	-	-	-	4,690,998
					2 years	-	4,690,998	-	-	-	4,690,998
					3 years	-	4,690,998	-	-	-	4,690,998
					note (2)	-	4,690,998	-	-	-	4,690,998
					note (2)	-	4,690,998	-	-	-	4,690,998
					note (2)	-	4,690,998	-	-	-	4,690,998
Employees											
Under Continuous Employment Contract	30 October 2003	0.84	-	30 October 2005 to 29 October 2013	2 years	6.35	180,002	-	(33,334)	-	146,668
					note (3)	6.33	434,664	-	(88,000)	-	346,664
					note (4)	-	269,332	-	-	-	269,332
					note (4)	-	168,000	-	-	-	168,000
	30 October 2006 to 29 October 2013	3.16	-	30 September 2013 to 29 September 2020	3 years	5.07	574,792	-	(121,332)	-	453,460
					note (5)	-	4,992,000	-	-	(272,000)	4,720,000
					note (6)	-	5,572,000	-	-	(592,000)	4,980,000
					note (7)	-	-	7,567,000	-	(357,000)	7,210,000
17 June 2011	4.95	-	17 June 2014 to 16 June 2021	3 years	-	-	-	-	-		
29 June 2012	4.85	4.84	29 June 2015 to 28 June 2022	3 years	-	-	7,567,000	-	(357,000)	7,210,000	
							57,336,778	7,567,000	(12,242,666)	(1,221,000)	51,440,112

Share options (continued)

Share option schemes (continued)

(I) 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 1 March 2019.
- (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 28 February 2022.
- (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 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 to contribute to the success 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 in order to encourage and motivate them to continue to contribute 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) On 30 September 2010, the Company granted share options to certain employees of the Company 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 to contribute to the success of the Group.
- (6) On 17 June 2011, the Company granted share options to certain employees of the Company 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 to contribute to the success of the Group.
- (7) On 29 June 2012, the Company granted 7,567,000 share options to certain employees of the Company 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 to contribute to the success of the Group. The exercise of 400,000 share options out of the outstanding balance as at 31 March 2013 is subject to certain performance targets that must be achieved by the related employees.

(II) 2012 Share Option Scheme

The 2012 Share Option Scheme was adopted pursuant to resolutions passed by the Shareholders on 23 August 2012 and became unconditional and effective on 27 August 2012. During the year, no share option was granted under the 2012 Share Option Scheme. A summary of the 2012 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 directors and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any members of the Group whom the Board considers, in its sole discretion, to have contributed to the Group.

Report of the Directors

Share options (continued)

Share option schemes (continued)

(II) 2012 Share Option Scheme (continued)

- (c) Total number of shares available for issue
 - (i) The maximum number of Shares in respect of which options may be granted under the 2012 Share Option Scheme shall not (when aggregated with any Shares subject to any other share option scheme(s) of the Company) exceed 10 percent in nominal amount of the issued share capital of the Company on the Adoption Date (the "2012 Scheme Mandate Limit"). Option lapsed in accordance with the terms of the 2012 Share Option Scheme will not be counted for the purpose of calculating the 2012 Scheme Mandate Limit.
 - (ii) The 2012 Scheme Mandate Limit may be renewed at any time subject to prior Shareholders' approval but in any event shall not exceed 10 percent of the issued share capital of the Company as at the date of approval of the renewal of the 2012 Scheme Mandate Limit. Option previously granted under the 2012 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 2012 Scheme Mandate Limit.
 - (iii) The maximum number of Shares in respect of which options may be granted to Grantees under 2012 Share Option Scheme and other share option schemes of the Company shall not exceed 30 per cent. in nominal amount of the issued share capital of the Company from time to time ("Scheme Limit").
 - (iv) As at 20 June 2013, the total number of shares available for issue under the 2012 Share Option Scheme was 41,450,675 shares, which represented 1.46% of the total issued share capital of the Company at that date.
- (d) Maximum entitlement of each Participant

The maximum number of Shares in respect of which Options may be granted to a specifically identified single Participant under the 2012 Share Option Scheme shall not (when aggregated with any Shares subject to any other share option scheme(s) of the Company and including exercised, cancelled and outstanding options) in any 12-month period exceed 1 percent of the Shares in issue. The Company may grant options beyond the Individual Limit to Participants 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 to be granted (and options previously granted to such Participant) and other relevant information as required under the Listing Rules; and
 - (ii) separate Shareholders' approval has been obtained in general meeting with the proposed Participant and his associates abstaining from voting.
- (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.

Share options (continued)

Share option schemes (continued)

(II) 2012 Share Option Scheme (continued)

- (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 2012 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 as consideration.
- (h) Basis of determining the subscription price
The subscription price shall be determined by the Board in its absolute discretion but in any event shall not be less than the greatest of:
 - (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant;
 - (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the Date of Grant; or
 - (iii) the nominal value of a Share.
- (i) Remaining life of the 2012 Share Option Scheme
The 2012 Share Option Scheme shall be valid and effective for a period of 10 years commencing on 27 August 2012, the date on which it became unconditional and will expire on 26 August 2022.

The weighted average fair value of share options granted during the year was determined using the binomial lattice model, prepared by HSBC Life (International) Limited, was HK\$1.48 per option (2012: HK\$1.42 – HK\$1.57). The significant inputs into the model were share price of HK\$4.85 at the grant date, exercise price of HK\$4.85, volatility of 46.0%, dividend yields of 4.0%, an expected option life of around six years and an annual risk-free interest rate of 0.5%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last six 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 Accounting Policy No. 10.

Report of the Directors

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Articles of Association and there are no restrictions against such rights under the laws in the Cayman Islands where the Company was incorporated.

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 2013 are set out in Note 30 to the consolidated financial statements.

Bank loans and overdrafts

As at 31 March 2013, the Group had no bank loans or overdrafts (2012: nil).

Capitalised interest

No interest was capitalised by the Group during the year (2012: nil).

Distributable reserves

As at 31 March 2013, the reserves of the Company available for distribution amounted to HK\$1,261,422,000 (2012: HK\$846,088,000).

Donations

The Group made donations during the year totalling HK\$4,228,000 (2012: HK\$3,596,000).

Directors

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

Executive Directors

Dr KWOK Siu Ming Simon, *BBS, JP (Chairman and CEO)*

- date of appointment as a Director: 3 December 1996
- date of last re-election in AGM as a Director: 26 August 2010

Dr KWOK LAW Kwai Chun Eleanor, *BBS (Vice-chairman)*

- date of appointment as a Director: 3 December 1996
- date of last re-election in AGM as a Director: 26 August 2010

Mr LOOK Guy (*CFO*)

- date of appointment as a Director: 10 September 2002
- date of last re-election in AGM as a Director: 26 August 2010
- term of directorship: three years commencing on 1 March 2012

Directors (continued)

Non-executive Director

Ms LEE Yun Chun Marie-christine

- date of appointment as a Director: 26 February 2013
- term of directorship: the current term will terminate at the AGM on 22 August 2013 and subject to the re-election by the Shareholders, she will be re-appointed as a director for a further three years commencing on 22 August 2013

Independent Non-executive Directors

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

- date of appointment as a Director: 1 November 1999
- date of last re-election in AGM as a Director: 25 August 2011
- term of directorship: three years commencing on 1 November 2011

Dr LEUNG Kwok Fai Thomas, *PhD, BBS, JP*

- date of appointment as a Director: 1 January 2000
- date of last re-election in AGM as a Director: 25 August 2011
- term of directorship: three years commencing on 1 January 2012

Ms TAM Wai Chu Maria, *GBM*, JP*

- date of appointment as a Director: 24 June 2004
- date of last re-election in AGM as a Director: 25 August 2011
- term of directorship: the current term will terminate on 23 June 2013 and the Board resolved on 20 June 2013 to re-appoint her for a further three years commencing on 24 June 2013

Ms KI Man Fung Leonie, *SBS, JP*

- date of appointment as a Director: 15 December 2006
- date of last re-election in AGM as a Director: 23 August 2012
- term of directorship: three years commencing on 15 December 2012

Mr TAN Wee Seng**

- date of appointment as a Director: 11 March 2010
- date of last re-election in AGM as a Director: 23 August 2012
- term of directorship: the current term will terminate on 25 August 2013 and the Board resolved on 20 June 2013 to re-appoint him for a further three years commencing on 26 August 2013

* *Effective 1 July 2013.*

** *Mr TAN Wee Seng was re-designated from a Non-executive Director to an Independent Non-executive Director on 26 June 2012.*

Report of the Directors

Directors (continued)

During the year, Mrs LEE LOOK Ngan Kwan Christina retired at the annual general meeting held on 23 August 2012. On 26 February 2013, Ms LEE Yun Chun Marie-christine, cousin of Mr LOOK Guy and daughter of Mrs LEE LOOK Ngan Kwan Christina, was appointed as a Non-executive Director of the Company. Pursuant to Article 99 of the Articles of Association, the term of directorship of Ms LEE Yun Chun Marie-christine is from 26 February 2013 to the date of the Company's next AGM, therefore, Ms LEE is required to retire at the forthcoming AGM. In accordance with Article 116, Dr KWOK Siu Ming Simon, Dr KWOK LAW Kwai Chun Eleanor and Mr LOOK Guy will retire by rotation at the forthcoming AGM.

Pursuant to code provision A.4.3 of the CG Code, the further appointment of any INED who has served the Company for more than nine years should be subject to a separate resolution to be approved by Shareholders. Ms TAM Wai Chu Maria has served as an INED of the Company for almost nine years. The board will set out in the circular to Shareholders dated 16 July 2013 the reasons why it believes Ms TAM continue to be independent and why she should be re-elected at the forthcoming AGM. All of these Directors, being eligible, will offer themselves for re-election.

Confirmation of independence from INEDs

The Company has received a written confirmation from each INED of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee has duly reviewed the annual confirmation of independence of these Directors and both the Nomination Committee and the Company consider them to be independent throughout the year and that they remain so as at the date of this report.

Directors' biographies

The updated biographical information of the Directors are set out on pages 48 to 54 of this Annual Report.

Directors' service contracts

None of the Directors offering themselves for re-election at the forthcoming AGM has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

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

As at 31 March 2013, 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 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 are set out below:

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

Name of director	Capacity	Number of Shares in the Company				Total interests	Approximate percentage of shareholding
		Personal interests	Family interests	Corporate interests	Other interests		
Dr KWOK Siu Ming Simon	Interests of a controlled corporation (Note)	-	-	1,797,012,800	-	1,797,012,800	63.57%
	Beneficial Owner	40,728,000	-	-	-	40,728,000	1.44%
Dr KWOK LAW Kwai Chun Eleanor	Interests of a controlled corporation (Note)	-	-	1,797,012,800	-	1,797,012,800	63.57%
Professor CHAN Yuk Shee	Beneficial Owner	2,300,000	-	-	-	2,300,000	0.08%
Ms TAM Wai Chu Maria	Beneficial Owner	2,000,000	-	-	-	2,000,000	0.07%

Note: These shares are held as to 1,393,560,000 shares by Sunrise Height Incorporated and as to 403,452,800 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 executives in the derivatives interests in the Company for the year ended 31 March 2013 are disclosed in the Share Options section on page 146 of this report.

Report of the Directors

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 (the "Deferred Shares") of Base Sun Investment Limited ("Base Sun"), Matford Trading Limited ("Matford"), Sa Sa Cosmetic Company Limited and Sa Sa Investment (HK) Limited, all of which are wholly-owned subsidiaries of the Company. Dr KWOK LAW Kwai Chun Eleanor was also taken to be interested in all the Deferred Shares of Vance Trading Limited ("Vance Trading"), a wholly-owned subsidiary of the Company, up to 7 September 2012. Vance Trading was deregistered on 7 September 2012 pursuant to Section 291AA of the Companies Ordinance. Details of interests in the Deferred Shares as at 31 March 2013 are set out below:

Dr KWOK Siu Ming Simon

Name of associated corporation	Capacity	Number of Deferred Shares in the associated corporation					Total interests	Percentage of shareholding to all the Deferred Shares of associated corporation
		Personal interests	Family interests	Corporate interests	Other interests			
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 (HK) Limited	Beneficial Owner	1	-	-	-	1	50%	

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)

Dr KWOK LAW Kwai Chun Eleanor

Name of associated corporation	Capacity	Number of Deferred Shares in the associated corporation					Total interests	Percentage of shareholding to all the Deferred Shares of associated corporation
		Personal interests	Family interests	Corporate interests	Other interests			
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 (HK) Limited	Beneficial Owner	1	–	–	–	1	50%	

Notes:

1. Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor together hold two Deferred Shares in Base Sun through Win Win Group International Limited ("Win Win") and Modern Capital Investment Limited ("Modern Capital"). Win Win and Modern Capital are companies owned as to 50% each by Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor and each of Win Win and Modern Capital holds one Deferred Share in Base Sun.
2. Dr KWOK Siu Ming Simon holds three Deferred Shares in Matford through Mr YUNG Leung Wai who acts as a nominee shareholder.
3. Dr KWOK LAW Kwai Chun Eleanor holds three Deferred Shares in Matford through Ms KWOK Lai Yee Mabel who acts as a nominee shareholder.

Save as disclosed above, no Director or chief executive has 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.

Report of the Directors

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

Directors' benefits from rights to acquire shares or debentures

Save as disclosed under the Share Options section on page 146, 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 (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 executive of the Company, as at 31 March 2013, 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 are 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	1,393,560,000 (Note)	49.30%
Green Ravine Limited	Beneficial owner	403,452,800 (Note)	14.27%

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) 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 contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any Director is or was materially interested, either directly or indirectly, subsisted 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 were no connected transactions or continuing connected transactions that were not exempted under the Listing Rules.

Sufficiency of 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 is held by the public as at the date of this report.

Auditor

The financial statements for the year have been audited by PwC who retired and, being eligible, offered themselves for re-appointment. A resolution to re-appoint them and to authorise the Directors to fix their remuneration will be proposed for approval at the forthcoming AGM.

By Order of the Board
KWOK Siu Ming Simon
Chairman and CEO

Hong Kong, 20 June 2013

Independent Auditor's Report



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT
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 162 to 214, which comprise the consolidated and company statements of financial position as at 31 March 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

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Independent Auditor's Report

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 2013, 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, 20 June 2013

Consolidated Income Statement

For the year ended 31 March 2013

	Note	2013 HK\$'000	2012 HK\$'000
Turnover	2	7,669,798	6,405,121
Cost of sales	5	(4,111,454)	(3,508,440)
Gross profit		3,558,344	2,896,681
Other income	2	57,792	39,684
Selling and distribution costs	5	(2,360,620)	(1,900,688)
Administrative expenses	5	(271,659)	(207,474)
Other gains – net	4	3,312	171
Operating profit		987,169	828,374
Finance income		7,509	6,419
Profit before income tax		994,678	834,793
Income tax expenses	8	(169,044)	(145,084)
Profit for the year		825,634	689,709
Earnings per share for profit for the year (expressed in HK cents per share)	10		
Basic		29.3	24.6
Diluted		29.2	24.4
Dividends	11	594,009	492,563

The notes and disclosures on pages 169 to 214 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	2013 HK\$'000	2012 HK\$'000
Profit for the year	825,634	689,709
Other comprehensive income		
Cash flow hedges	(591)	–
Currency translation differences	720	3,583
Other comprehensive income for the year, net of tax	129	3,583
Total comprehensive income for the year	825,763	693,292

The notes and disclosures on pages 169 to 214 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2013

	Note	2013 HK\$'000	2012 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	343,195	332,753
Rental deposits, prepayments and other assets	14	214,731	133,340
Deferred tax assets	15	5,233	4,640
		563,159	470,733
Current assets			
Inventories	16	1,234,976	1,191,059
Trade receivables	17	92,968	70,477
Other receivables, deposits and prepayments	18	154,083	135,612
Time deposits	19	209,092	35,621
Cash and cash equivalents	19	542,963	562,998
		2,234,082	1,995,767
LIABILITIES			
Current liabilities			
Trade payables	20	411,231	450,686
Other payables and accruals	21	317,255	289,298
Income tax payable		63,279	67,746
		791,765	807,730
Net current assets		1,442,317	1,188,037
Total assets less current liabilities		2,005,476	1,658,770
Non-current liabilities			
Retirement benefit obligations	23	3,849	3,253
Deferred tax liabilities	15	1,501	4,163
Other payables		24,652	20,530
		30,002	27,946
Net assets		1,975,474	1,630,824

Consolidated Statement of Financial Position

As at 31 March 2013

	Note	2013 HK\$'000	2012 HK\$'000
EQUITY			
Capital and reserves			
Share capital	24	282,691	281,467
Reserves	25	1,692,783	1,349,357
Total equity		1,975,474	1,630,824

On behalf of the Board
KWOK Siu Ming Simon
Director

KWOK LAW Kwai Chun Eleanor
Director

The notes and disclosures on pages 169 to 214 are an integral part of these consolidated financial statements.

Statement of Financial Position

As at 31 March 2013

	Note	2013 HK\$'000	2012 HK\$'000
ASSETS			
Non-current assets			
Investments in and amounts due from subsidiaries	13	1,344,810	1,058,818
Other assets	14	750	750
		1,345,560	1,059,568
Current assets			
Other receivables, deposits and prepayments	18	520	274
Time deposits	19	74,000	–
Cash and cash equivalents	19	181,819	101,671
		256,339	101,945
LIABILITIES			
Current liabilities			
Other payables and accruals	21	6,161	6,532
Net current assets		250,178	95,413
Total assets less current liabilities		1,595,738	1,154,981
EQUITY			
Capital and reserves			
Share capital	24	282,691	281,467
Reserves	25	1,313,047	873,514
Total equity		1,595,738	1,154,981

On behalf of the Board
KWOK Siu Ming Simon
Director

KWOK LAW Kwai Chun Eleanor
Director

The notes and disclosures on pages 169 to 214 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	Note	2013 HK\$'000	2012 HK\$'000
Cash flows from operating activities			
Cash generated from operations	26	1,022,952	763,393
Hong Kong profits tax paid		(159,252)	(111,425)
Overseas tax paid		(17,455)	(12,491)
Net cash generated from operating activities		846,245	639,477
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(191,757)	(247,182)
Proceeds from disposal of property, plant and equipment	26	3,026	1,550
(Increase)/decrease in time deposits	19	(173,471)	58,513
Interest received		4,911	4,969
Net cash used in investing activities		(357,291)	(182,150)
Cash flows from financing activities			
Proceeds from shares issued upon exercise of share options	24(a)	13,344	14,017
Dividends paid to Company's shareholders		(522,385)	(435,688)
Net cash used in financing activities		(509,041)	(421,671)
Net (decrease)/increase in cash and cash equivalents		(20,087)	35,656
Cash and cash equivalents at beginning of year	19	562,998	524,280
Effect of foreign exchange rate changes		52	3,062
Cash and cash equivalents at end of year	19	542,963	562,998

The notes and disclosures on pages 169 to 214 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

	Note	Share capital HK\$'000	Reserves HK\$'000	Total HK\$'000
At 1 April 2011		280,253	1,072,440	1,352,693
Profit for the year		–	689,709	689,709
Other comprehensive income:				
Currency translation differences		–	3,583	3,583
Total comprehensive income for the year		–	693,292	693,292
Employee share option scheme:				
Value of employee services	25(a)	–	6,510	6,510
Proceeds from shares issued upon exercise of share options	24(a)& 25(a)	1,214	12,803	14,017
Dividends				
2010/2011 Final and Special dividends	25(a)	–	(266,812)	(266,812)
2011/2012 Interim dividend	25(a)	–	(56,292)	(56,292)
2011/2012 Special dividend	25(a)	–	(112,584)	(112,584)
Balance at 31 March 2012		281,467	1,349,357	1,630,824
Balance at 1 April 2012		281,467	1,349,357	1,630,824
Profit for the year		–	825,634	825,634
Other comprehensive income:				
Cash flow hedges		–	(591)	(591)
Currency translation differences		–	720	720
Total comprehensive income for the year		–	825,763	825,763
Employee share option scheme:				
Value of employee services	25(a)	–	27,928	27,928
Proceeds from shares issued upon exercise of share options	24(a)& 25(a)	1,224	12,120	13,344
Dividends				
2011/2012 Final and Special dividends	25(a)	–	(324,501)	(324,501)
2012/2013 Interim dividend	25(a)	–	(70,673)	(70,673)
2012/2013 Special dividend	25(a)	–	(127,211)	(127,211)
Balance at 31 March 2013		282,691	1,692,783	1,975,474

The notes and disclosures on pages 169 to 214 are an integral part of these consolidated financial statements.

Significant Accounting Policies

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

1 Basis of preparation

The Company, Sa Sa International Holdings Limited, and its subsidiaries are collectively referred to as the Group in the consolidated financial statements. The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS"). The consolidated financial statements have been prepared under the historical cost convention.

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 Accounting Policy No.14.

2 Changes in accounting policy and disclosures

- (i) Amended standards mandatory for the first time for the financial year beginning 1 April 2012 but not currently relevant to the Group (although they may affect the accounting for future transactions and events):

HKFRS 1 (Amendment), "Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters" is effective for annual periods beginning on or after 1 July 2011.

HKFRS 7 (Amendment), "Disclosures: Transfers of Financial Assets" is effective for annual periods beginning on or after 1 July 2011.

HKAS 12 (Amendment), "Deferred Tax: Recovery of Underlying Assets" is effectively for annual periods beginning on or after 1 January 2012.

- (ii) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 April 2012 and have not been early adopted:

HKFRS 1 (Amendment), "First Time Adoption, on Government Loans" (effective for annual periods beginning on or after 1 January 2013)

HKFRS 7 (Amendment), "Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013)

HKFRS 9, "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015)

HKFRS 7 and HKFRS 9 (Amendments), "Mandatory Effective Date and Transition Disclosures" (effective for annual periods beginning on or after 1 January 2015)

Significant Accounting Policies

2 Changes in accounting policy and disclosures (continued)

- (ii) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 April 2012 and have not been early adopted: (continued)

HKFRS 10, "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013)

HKFRS 11, "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013)

HKFRS 12, "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2013)

HKFRSs 10, 11 and 12 (Amendment), transition guidance (effective for annual periods beginning on or after 1 January 2013)

HKFRS 13, "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013)

HKAS 19 (Amendment), "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013)

HKAS 27 (Revised 2011), "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013)

HKAS 28 (Revised 2011), "Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2013)

HKAS 32 (Amendment), "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014)

HK(IFRIC) – Int 20, "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013)

Improvements to 2011, several HKFRSs (effective for annual periods beginning on or after 1 January 2013)

The Group is assessing the impact of adopting the above new standards, amendments and interpretations in comparison to the existing standards and interpretations.

3 Consolidation

Subsidiaries are all 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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise from circumstances where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

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.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

4 Separate financial statements

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

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

5 Operating leases

Leases in which a significant portion of the risks and rewards of ownership 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 income statement on a straight-line basis over the period of the lease.

6 Impairment of non-financial assets

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

Significant Accounting Policies

7 Financial assets

(i) Classification

The Group classifies its financial assets as loans and receivables. 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 the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" (Note 17 and 18), "cash and bank balances" (Note 19) in the statement of financial position.

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on 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 the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

8 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the income statement within "other gains/(losses) – net".

8 Foreign currency translation (continued)

(iii) Group companies

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

9 Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefit obligations

The Group operates 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.

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.

Significant Accounting Policies

9 Employee benefits (continued)

(ii) Retirement benefit obligations (continued)

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) 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.

10 Share-based payment

(i) Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. 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 is determined by reference to the fair value of the options granted:

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

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

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

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

(ii) Share-based payment transactions among Group entities

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

11 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.

Significant Accounting Policies

12 Dividend distribution

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

13 Financial risk management

13.1 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 subsidiaries. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Foreign exchange risk

The Group operates in various countries 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.

Most of the assets, receipts and payments of the Group are either in Hong Kong dollar, US dollar, Euro or Renminbi. The Group minimises its foreign exchange exposure by way of buying against order by entering into forward contracts with reputable financial institutions or at spot and maintain no material long position. The hedging policies are reviewed by the Group regularly.

As at 31 March 2013, if Hong Kong dollar had weakened/strengthened by 1% against Euro with all other variables held constant, profit for the year would have been lower/higher by HK\$274,000 (2012: HK\$272,000), mainly as a result of foreign exchange gains/losses on translation of Euro-denominated cash and bank balances and financial liabilities.

As at 31 March 2013, if Hong Kong dollars had weakened/strengthened by 1% against Renminbi with all other variables held constant, profit for the year would have been higher/lower by HK\$622,000 (2012: HK\$397,000), mainly as a result of foreign exchange gains/losses on translation of Renminbi denominated cash and bank balances, financial assets and liabilities.

13 Financial risk management (continued)

13.1 Financial risk factors (continued)

(ii) 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 2013, 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 reviewed. Sales to retail customers are settled in cash or using major credit cards. No material credit limits were exceeded during the reporting period, and management does not expect any material losses from non-performance by these counterparties.

Trade receivables are due within 90 days from the date of billings. As at 31 March 2013, 99.4% of the total trade receivables were due within 90 days (2012: 99.1%). The maximum exposure to credit risk is represented by the carrying amount of trade receivables in the consolidated statement of financial position. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 17.

(iii) 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, 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 expansions. As at 31 March 2013, the Group's financial liabilities were mainly trade payables and other payables amounting to HK\$539,789,000 (2012: HK\$593,465,000), which were due within 12 months.

(iv) Interest rate risk

The Group's interest rate risk resulted from timing differences in the repricing of interest bearing assets or liabilities. 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.

The Group has no significant borrowings during the year.

Significant Accounting Policies

13 Financial risk management (continued)

13.2 Capital risk management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market 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.

14 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.

(i) Income taxes and deferred tax

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 2013, the Group did not recognise deferred tax assets of HK\$35,833,000 in respect of losses amounting to HK\$153,931,000 that could be carried forward against future taxable income as the realisation of the related tax benefits through future taxable profit is not probable. Estimating the amount of deferred 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.

14 Critical accounting estimates and judgements (continued)

(ii) 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 current financial year, 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 material impairment loss for the above assets at 31 March 2013.

(iii) 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 be 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.

(iv) 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 24.

(v) Useful lives, residual values and depreciation of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. In addition, an independent professional valuer's report which has taken into account the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions, was also prepared to facilitate management decision. Management will revise the depreciation charge where useful lives or residual values are materially different from those previously estimated. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expenses in the future periods.

(vi) Revenue Recognition

Please refer to Accounting Policy on customer loyalty programme on Note 2 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

Sa Sa International Holdings Limited (the “Company”) and its subsidiaries (together the “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 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company has its listing on the Stock Exchange.

As at 31 March 2013, 49.29% of the total issued shares of the Company were owned by Sunrise Height Incorporated, a company incorporated in the British Virgin Islands. The directors regard Sunrise Height Incorporated, which was owned 50.0% each by Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor, as being the ultimate holding company of the Company.

These consolidated financial statements are presented in thousands of Hong Kong dollars (HK\$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 20 June 2013.

2 Revenue and turnover



Accounting Policy

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group’s activities. Revenue from the sale of goods and service is recognised on the transfer of risks and rewards of ownership, services provided, which generally coincides with the time of the payment in cash or by credit cards for retail sale or the time of delivery for wholesale and internet transactions. 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.

Slide display rental income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

The Group operates the “Customer Loyalty Programme” where certain customers accumulate points for purchases made which entitle them to purchase goods for free or at a discounted price. The award points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale such that the award points are recognised at their fair value. Revenue from the award points is recognised when the points are redeemed or expired. The amount of initial revenue recognised is based on the number of points redeemed relative to the total number expected to be redeemed. The maximum life of award points is up to 12 months from date of issue. As most of the award points were expired as at 31 March 2013, there was no material deferred revenue as at 31 March 2013.



Notes to the Consolidated Financial Statements

2 Revenue and turnover (continued)

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 recognised during the year is as follows:

	2013 HK\$'000	2012 HK\$'000
Turnover		
Retail and wholesale	7,669,798	6,405,121
Other income		
Slide display rental income	57,792	39,684
	7,727,590	6,444,805

3 Segment information



Accounting Policy

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

Executive directors of the Group review the internal reporting of the Group in order to assess performance and allocate resources. Executive directors consider the business principally from a geographic perspective and assess the performance of the geographic segments based on a measure of segments results. Business reportable segments identified are Hong Kong & Macau, Mainland China and All other segments. All other segments refer to segment results from markets in Singapore, Malaysia, Taiwan and e-commerce.

Segment assets consist primarily of property, plant and equipment, inventories, receivables and operating cash, and exclude certain corporate assets and tax. Capital expenditure comprises additions to property, plant and equipment.



The Group is mainly domiciled in Hong Kong & Macau. The breakdown of key segment information including total turnover from external customers is disclosed below.

Notes to the Consolidated Financial Statements

3 Segment information (continued)

	For the year ended 31 March 2013			
	Hong Kong & Macau HK\$'000	Mainland China HK\$'000	All other segments HK\$'000	Total HK\$'000
Turnover	6,101,415	356,305	1,212,078	7,669,798
Segment results	817,922	(37,005)	44,717	825,634
Other information				
Capital expenditure	124,794	22,805	44,158	191,757
Finance income	4,837	45	2,627	7,509
Income tax expenses	155,237	–	13,807	169,044
Depreciation	101,136	35,381	36,121	172,638

	For the year ended 31 March 2012			
	Hong Kong & Macau HK\$'000	Mainland China HK\$'000	All other segments HK\$'000	Total HK\$'000
Turnover	5,092,685	290,708	1,021,728	6,405,121
Segment results	674,373	(38,168)	53,504	689,709
Other information				
Capital expenditure	124,800	71,218	51,164	247,182
Finance income	3,832	97	2,490	6,419
Income tax expenses	132,994	–	12,090	145,084
Depreciation	67,223	25,949	23,921	117,093

Notes to the Consolidated Financial Statements

3 Segment information (continued)

	Hong Kong & Macau HK\$'000	Mainland China HK\$'000	All other segments HK\$'000	Total HK\$'000
At 31 March 2013				
Non-current assets	386,532	65,115	100,727	552,374
Current assets	1,602,207	227,496	404,379	2,234,082
Deferred tax assets				5,233
Unallocated corporate assets				5,552
				2,797,241
At 31 March 2012				
Non-current assets	288,017	82,736	89,788	460,541
Current assets	1,396,569	224,844	374,354	1,995,767
Deferred tax assets				4,640
Unallocated corporate assets				5,552
				2,466,500

4 Other gains – net

Accounting Policy No.8

	2013 HK\$'000	2012 HK\$'000
Net exchange gains	3,312	171

Notes to the Consolidated Financial Statements

5 Expenses by nature

	2013 HK\$'000	2012 HK\$'000
Cost of inventories sold	4,081,225	3,478,854
Employee benefit expenses (including directors' emoluments) (Note 6)	1,014,461	816,207
Operating lease rentals in respect of land and buildings		
– minimum lease payments	711,146	576,606
– contingent rent	65,852	48,876
Depreciation of property, plant and equipment (Note 12)	172,638	117,093
Advertising and promotion expenses	140,423	113,789
Building management fees, government rent and rate	70,929	58,212
Utilities and telecom	60,133	53,238
Repair and maintenance	33,691	29,763
Provision for slow moving inventories and stock shrinkage (Note 16)	30,229	29,586
Write-off of property, plant and equipment (Note 12)	6,413	1,553
Donations	4,228	3,596
Auditors' remuneration		
– audit services	3,323	3,084
– non-audit services	1,052	1,503
Others	347,990	284,642
	6,743,733	5,616,602
Representing:		
Cost of sales	4,111,454	3,508,440
Selling and distribution costs	2,360,620	1,900,688
Administrative expenses	271,659	207,474
	6,743,733	5,616,602

6 Employee benefit expenses (including directors' emoluments)

Accounting Policy No.9

	2013 HK\$'000	2012 HK\$'000
Directors' fees	1,460	1,632
Basic salaries, bonuses, housing allowances, other allowances and benefits-in-kind	933,517	768,202
Provision for unutilised annual leave	4,319	3,496
Retirement benefit costs (Note 23(b))	47,237	36,367
Share-based payment	27,928	6,510
	1,014,461	816,207

Notes to the Consolidated Financial Statements

7 Director and senior management emoluments

(a) Directors' emoluments

Directors' emoluments comprise payments to the Company's directors (including the five highest paid individuals in the Group) in connection with management of affairs of the Company and the Group. The non-executive directors receive an annual director's fee of HK\$257,400 (2012: HK\$257,400) each; and for those acting as chairman of Audit Committee, Compensation Committee and Nomination Committee (the "Committees"), an additional fee of HK\$8,000 (2012: HK\$8,000) is paid for their presidings at each of the Committee meetings.

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

	2013 HK\$'000	2012 HK\$'000
Directors' fees	1,460	1,632
Basic salaries, housing allowances, other allowances and benefits-in-kind	8,632	8,632
Discretionary bonuses	984	1,249
Retirement benefit costs	605	604
Share-based payment	21,892	3,092
	33,573	15,209

The remuneration of each director of the Company during the year ended 31 March 2013 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, BBS, JP (iii)	-	2,858	238	200	-	3,296
Dr KWOK LAW Kwai Chun Eleanor, BBS	-	2,594	216	182	-	2,992
Mr LOOK Guy	-	3,180	530	223	21,892	25,825
Non-executive Directors						
Mrs LEE LOOK Ngan Kwan Christina (iv)	102	-	-	-	-	102
Ms LEE Yun Chun Marie-christine (v)	24	-	-	-	-	24
Independent Non-executive Directors						
Professor CHAN Yuk Shee, PhD, SBS, JP	265	-	-	-	-	265
Dr LEUNG Kwok Fai Thomas, PhD, BBS, JP	265	-	-	-	-	265
Ms TAM Wai Chu Maria, GBM*, JP	290	-	-	-	-	290
Ms KI Man Fung Leonie, SBS, JP	257	-	-	-	-	257
Mr TAN Wee Seng	257	-	-	-	-	257
	1,460	8,632	984	605	21,892	33,573

Notes to the Consolidated Financial Statements

7 Director and senior management emoluments (continued)

(a) Directors' emoluments (continued)

The remuneration of each director of the Company during the year ended 31 March 2012 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, BBS, JP (iii)	-	2,858	238	200	-	3,296
Dr KWOK LAW Kwai Chun Eleanor, BBS	-	2,594	216	181	-	2,991
Mr LOOK Guy	-	3,180	795	223	3,092	7,290
Non-executive Directors						
Mrs LEE LOOK Ngan Kwan Christina (iv)	257	-	-	-	-	257
Mr TAN Wee Seng	257	-	-	-	-	257
Independent Non-executive Directors						
Professor CHAN Yuk Shee, PhD, SBS, JP	297	-	-	-	-	297
Dr LEUNG Kwok Fai Thomas, PhD, BBS, JP	282	-	-	-	-	282
Ms TAM Wai Chu Maria, GBM*, JP	282	-	-	-	-	282
Ms KI Man Fung Leonie, SBS, JP	257	-	-	-	-	257
	1,632	8,632	1,249	604	3,092	15,209

* Effective 1 July 2013.

Notes:

- (i) Share-based payment represents amortisation to the 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 2013, no share options were granted to the executive director under the terminated 2002 Share Option Scheme (2012: 28,145,988).
- (iii) Dr KWOK Siu Ming Simon is the Chief Executive Officer of the Company.
- (iv) Mrs LEE LOOK Ngan Kwan Christina retired as a non-executive director of the Company with effect from 23 August 2012.
- (v) Ms LEE Yun Chun Marie-christine has been appointed as a non-executive director of the Company with effect from 26 February 2013.

No compensation for loss of office has been paid to the directors for the years ended 31 March 2013 and 2012.

No director of the Company waived any emoluments during the years ended 31 March 2013 and 2012.

Notes to the Consolidated Financial Statements

7 Director and senior management emoluments (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2012: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2012: two) individuals during the year were as follows:

	2013 HK\$'000	2012 HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	3,385	3,054
Discretionary bonuses	516	1,203
Retirement benefit costs	456	397
Share-based payment	473	274
	4,830	4,928

The emoluments of the individuals fell within the following bands:

Emoluments bands	Number of individuals	
	2013	2012
HK\$1,500,001 – HK\$2,000,000	–	–
HK\$2,000,001 – HK\$2,500,000	2	2
	2	2

(c) Senior management emoluments

The details of the senior management emoluments payable during the year were as follows:

	2013 HK\$'000	2012 HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	4,375	4,142
Discretionary bonuses	728	1,510
Retirement benefit costs	525	472
Share-based payment	363	219
	5,991	6,343

One (2012: one) of the senior management emoluments are included in the analysis presented in Note 7(b) above.

Notes to the Consolidated Financial Statements

7 Director and senior management emoluments (continued)

(c) Senior management emoluments (continued)

The emoluments of the individuals fell within the following bands:

Emoluments bands	Number of individuals	
	2013	2012
HK\$1,500,001 – HK\$2,000,000	2	2
HK\$2,000,001 – HK\$2,500,000	1	1
	3	3

8 Income tax expenses



Accounting Policy

The tax expenses for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

Hong Kong profits tax has been provided for at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2013 HK\$'000	2012 HK\$'000
Hong Kong profits tax		
Current	145,908	122,874
(Over)/under-provision in previous years	(63)	19
Overseas taxation		
Current	26,498	18,404
Over-provision in previous years	(103)	(345)
Deferred tax relating to origination and reversal of temporary differences (Note 15)	(3,196)	4,132
	169,044	145,084

Notes to the Consolidated Financial Statements

8 Income tax expenses (continued)

The income tax expenses 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:

	2013 HK\$'000	2012 HK\$'000
Profit before income tax	994,678	834,793
Tax calculated at a taxation rate of 16.5% (2012: 16.5%)	164,122	137,741
Effect of different taxation rates in other countries	(3,194)	(2,241)
Income not subject to income tax	(2,367)	(676)
Expenses not deductible for income tax purposes	1,117	2,500
Recognition of previously unrecognised deferred tax assets	-	(77)
Unrecognised tax losses	9,532	8,163
Over-provision in previous years	(166)	(326)
Income tax expenses	169,044	145,084

The effective tax rate was 17.0% (2012: 17.4%).

9 Profit for the year

Profit for the year is dealt with in the financial statements of the Company to the extent of HK\$921,870,000 (2012: HK\$611,986,000).

10 Earnings per share

- The calculation of basic and diluted earnings per share is based on the Group's profit for the year of HK\$825,634,000 (2012: HK\$689,709,000).
- The calculation of basic earnings per share is based on the weighted average number of 2,821,311,952 (2012: 2,808,638,314) shares in issue during the year.
- 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 is based on the weighted average number of 2,821,311,952 (2012: 2,808,638,314) shares in issue during the year plus the weighted average number of 9,218,586 (2012: 15,852,873) 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.

Notes to the Consolidated Financial Statements

11 Dividends – Company

	2013 HK\$'000	2012 HK\$'000
Interim, paid – 2.5 HK cents (2012: 2.0 HK cents) per share	70,673	56,292
Special, paid – 4.5 HK cents (2012: 4.0 HK cents) per share	127,211	112,584
Final, proposed and declared – 5.0 HK cents (2012: 3.5 HK cents) per share	141,473	98,513
Special, proposed and declared – 9.0 HK cents (2012: 8.0 HK cents) per share	254,652	225,174
	594,009	492,563

At a meeting held on 20 June 2013, the directors proposed and declared a final dividend of 5.0 HK cents and a special dividend of 9.0 HK cents per share. These proposed and declared 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 2014 if approved by the shareholders.

12 Property, plant and equipment



Accounting Policy

Land and buildings comprise mainly of offices. Leasehold land classified as finance lease and all other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Leasehold land classified as finance lease commences depreciation from the time when the land interest becomes available for its intended use. Depreciation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Over remaining lease term
Buildings	20–36 years
Leasehold improvements	1–6 years
Equipment, furniture and fixtures	3–5 years
Motor vehicles and vessel	4–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Accounting Policy No.6).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised in the income statement.



Notes to the Consolidated Financial Statements

12 Property, plant and equipment (continued)

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Equipment, furniture and fixtures HK\$'000	Motor vehicles and vessel HK\$'000	Total HK\$'000
At 31 March 2011					
Cost	85,964	336,591	144,714	15,440	582,709
Accumulated depreciation	(31,086)	(232,181)	(101,470)	(12,507)	(377,244)
Net book amount	54,878	104,410	43,244	2,933	205,465
Year ended 31 March 2012					
Opening net book amount	54,878	104,410	43,244	2,933	205,465
Exchange differences	–	545	(77)	10	478
Additions	–	180,506	57,424	9,252	247,182
Disposals	–	(1,276)	(316)	(134)	(1,726)
Write-off	–	(777)	(776)	–	(1,553)
Depreciation	(1,863)	(86,327)	(25,995)	(2,908)	(117,093)
Closing net book amount	53,015	197,081	73,504	9,153	332,753
At 31 March 2012					
Cost	85,964	460,115	191,287	21,596	758,962
Accumulated depreciation	(32,949)	(263,034)	(117,783)	(12,443)	(426,209)
Net book amount	53,015	197,081	73,504	9,153	332,753
Year ended 31 March 2013					
Opening net book amount	53,015	197,081	73,504	9,153	332,753
Exchange differences	–	215	(194)	(3)	18
Additions	–	149,318	42,307	132	191,757
Disposals	–	(2,166)	(116)	–	(2,282)
Write-off	–	(4,397)	(2,016)	–	(6,413)
Depreciation	(1,861)	(131,674)	(35,993)	(3,110)	(172,638)
Closing net book amount	51,154	208,377	77,492	6,172	343,195
At 31 March 2013					
Cost	85,964	526,301	219,378	20,812	852,455
Accumulated depreciation	(34,810)	(317,924)	(141,886)	(14,640)	(509,260)
Net book amount	51,154	208,377	77,492	6,172	343,195

- (a) The land and buildings are situated in Hong Kong and held under medium term leases between 10 to 50 years.
- (b) Depreciation expense of HK\$153,399,000 (2012: HK\$101,338,000) was included in selling and distribution costs and HK\$19,239,000 (2012: HK\$15,755,000) was included in administration expenses.

Notes to the Consolidated Financial Statements

13 Investments in and amounts due from subsidiaries – Company

Accounting Policy No.3

	2013 HK\$'000	2012 HK\$'000
Unlisted shares, at cost	30,048	3,842
Amounts due from subsidiaries (Note (b))	1,765,694	1,505,908
Provision for impairment of amounts due from subsidiaries	(450,932)	(450,932)
	1,344,810	1,058,818

- (a) Details of the Company's principal subsidiaries are set out in Note 30 to the consolidated financial statements.
- (b) The amounts due from subsidiaries are unsecured, interest-free, and are repayable on demand.

14 Rental deposits, prepayments and other assets

Accounting Policy No.7

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Rental deposits	205,724	127,788	–	–
Prepayments	3,455	–	–	–
Others	5,552	5,552	750	750
	214,731	133,340	750	750

Rental deposits are carried at amortised cost using the effective interest rate of 0.63%–2.40% per annum (2012: 0.63%–3.80% per annum). At 31 March 2013, the carrying amounts of rental deposits approximate their fair values.

15 Deferred tax



Accounting Policy

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

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

Deferred tax 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.



Deferred tax is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2012: 16.5%).

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

	2013 HK\$'000	2012 HK\$'000
At beginning of the year	477	4,613
Deferred tax credited/(charged) to the income statement (Note 8)	3,196	(4,132)
Exchange differences	59	(4)
At end of the year	3,732	477

Deferred tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of HK\$35,833,000 (2012: HK\$35,925,000) in respect of losses amounting to HK\$153,931,000 (2012: HK\$158,598,000) that can be carried forward against future taxable income. Losses amounting to HK\$149,700,000 (2012: HK\$135,341,000) will expire within 5 and 10 years from 31 March 2013. The remaining tax losses have no expiry date.

Notes to the Consolidated Financial Statements

15 Deferred tax (continued)

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

	2013 HK\$'000	2012 HK\$'000
Deferred tax assets	5,233	4,640
Deferred tax liabilities	(1,501)	(4,163)
	3,732	477

The deferred tax assets and liabilities are expected to be recovered and crystallised after more than 12 months.

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

Deferred tax assets	Decelerated tax depreciation		Provisions		Total	
	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of year	3,594	3,337	3,661	3,866	7,255	7,203
Credited/(charged) to the income statement	(327)	259	1,594	(167)	1,267	92
Exchange differences	38	(2)	(7)	(38)	31	(40)
At end of year	3,305	3,594	5,248	3,661	8,553	7,255

Deferred tax liabilities	Accelerated tax depreciation	
	2013	2012
	HK\$'000	HK\$'000
At beginning of year	6,778	2,590
(Credited)/charged to the income statement	(1,929)	4,224
Exchange differences	(28)	(36)
At end of year	4,821	6,778

16 Inventories



Accounting Policy

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

Cost represents the invoiced cost of inventories plus the applicable freight and duties. Costs are assigned to individual items on the weighted-average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges purchases of inventories.

Please refer to Accounting Policy No.14 (iii) for details on write-downs of inventories to net realisable value.



	2013 HK\$'000	2012 HK\$'000
Merchandise stock for resale	1,234,976	1,191,059

The cost of inventories recognised as expense and included in cost of sales amounted to HK\$4,081,225,000 (2012: HK\$3,478,854,000).

During the year, the Group has made a charge of HK\$30,229,000 for slow moving inventories and stock shrinkage (2012: HK\$29,586,000). The amount was included in cost of sales in the consolidated income statement.

17 Trade receivables



Accounting Policy

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment loss on trade receivables is established when there is objective evidence that the Group will not be able to collect the amounts due according to the original terms of receivables. Objective evidence of impairment includes significant financial difficulty, the Group's past experience of collecting payments, and observable changes in national or local economic conditions that correlate with default on receivables. The impairment is the difference between trade receivable's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the receivables is reduced through the use of an allowance account and the amount of the impairment loss is charged to the income statement. When the receivable is uncollectable, it is written off from the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the income statement.



Notes to the Consolidated Financial Statements

17 Trade receivables (continued)

	2013 HK\$'000	2012 HK\$'000
Trade receivables	93,270	70,779
Less: provision for impairment losses on trade receivables	(302)	(302)
Trade receivables – net	92,968	70,477

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 90 days. The ageing analysis of trade receivables is as follows:

	2013 HK\$'000	2012 HK\$'000
Within 1 month	83,242	63,272
1 to 3 months	9,214	6,570
Over 3 months	512	635
	92,968	70,477

As at 31 March 2013, trade receivables of HK\$2,084,000 (2012: HK\$1,572,000) 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:

	2013 HK\$'000	2012 HK\$'000
1 to 3 months	1,775	1,178
Over 3 months	309	394
	2,084	1,572

Trade receivables are denominated in the following currencies:

	2013 HK\$'000	2012 HK\$'000
Hong Kong dollar	56,633	38,535
Renminbi	13,165	15,999
Taiwan dollar	15,142	10,136
Others	8,028	5,807
	92,968	70,477

Notes to the Consolidated Financial Statements

17 Trade receivables (continued)

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

	2013 HK\$'000	2012 HK\$'000
At 1 April	302	385
Receivable written off during the year as uncollectible	-	(87)
Exchange differences	-	4
At 31 March	302	302

The Group does not make any provision for impairment losses on trade receivables for the years ended 31 March 2013 and 2012.

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.

The maximum exposure to credit risk at the reporting date is the carrying value of trade and other receivables. The Group does not hold any collateral as security.

18 Other receivables, deposits and prepayments



Accounting Policy

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

If collection of other receivables is expected to be in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.



	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Rental and other deposits	75,539	81,910	-	-
Prepayments	31,735	22,404	255	274
Other receivables and payment in advance	46,809	31,298	265	-
	154,083	135,612	520	274

The fair values of other receivables and deposits approximate their carrying amounts.

Notes to the Consolidated Financial Statements

19 Cash and bank balances



Accounting Policy

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

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Time deposits	209,092	35,621	74,000	–
Cash at bank and on hand	245,043	219,502	6,819	6,671
Short-term bank deposits	297,920	343,496	175,000	95,000
Cash and cash equivalents	542,963	562,998	181,819	101,671
Total	752,055	598,619	255,819	101,671

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Hong Kong dollar	431,287	237,163	255,444	101,295
US dollar	20,489	23,430	375	376
Euro	21,261	72,659	–	–
Renminbi	119,862	97,584	–	–
Singapore dollar	23,846	23,667	–	–
Malaysian Ringit	80,727	76,325	–	–
Taiwan dollar	27,419	19,481	–	–
Others	27,164	48,310	–	–
	752,055	598,619	255,819	101,671

The year-end effective interest rate on time deposits over three months was 1.52% per annum (2012: 3.15% per annum). These deposits have an average maturity of 6 months (2012: 10 months).

The year-end effective interest rate on short-term bank deposits was 1.60% per annum (2012: 1.77% per annum). These deposits have an average maturity of 2.5 months (2012: 1 month).

As at 31 March 2013, out of the total cash and bank balances denominated in Renminbi and Malaysian Ringit as stated above, approximately HK\$35,368,000 (2012: HK\$54,139,000) were kept in Mainland China and Malaysia. The remittance of these funds out of Mainland China and Malaysia is subject to applicable foreign exchange restrictions imposed by the respective local governments.

20 Trade payables



Accounting Policy

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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



The ageing analysis of trade payables is as follows:

	2013 HK\$'000	2012 HK\$'000
Within 1 month	261,673	256,591
1 to 3 months	118,078	172,192
Over 3 months	31,480	21,903
	411,231	450,686

The fair values of trade payables approximate their carrying amounts.

Trade payables are denominated in the following currencies:

	2013 HK\$'000	2012 HK\$'000
Hong Kong dollar	195,370	255,349
US dollar	48,902	44,519
Euro	48,686	44,169
Renminbi	45,064	39,671
Singapore dollar	9,221	13,081
Malaysian Ringit	12,305	12,823
Taiwan dollar	31,509	21,675
Swiss Franc	11,557	12,369
Others	8,617	7,030
	411,231	450,686

Notes to the Consolidated Financial Statements

21 Other payables and accruals



Accounting Policy

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



	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Accrued staff costs	142,035	111,341	–	–
Accrued rental related expenses	45,368	38,236	–	–
Accrued advertising and promotion expenses	28,457	25,617	–	–
Customers' deposits and temporary receipts	11,515	11,420	–	–
Value-added tax and other tax payables	15,657	9,849	–	–
Forward foreign exchange contracts (Note 22)	656	–	–	–
Other payables and accruals	73,567	92,835	6,161	6,532
	317,255	289,298	6,161	6,532

22 Forward foreign exchange contracts



Accounting Policy

(a) Cash flow hedges

In the current year, the Group designated certain forward contracts as cash flow hedges to hedge against the Group's purchases denominated in Euro. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as cash flow hedge: hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.



22 Forward foreign exchange contracts (continued)



Accounting Policy

(a) Cash flow hedges (continued)

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within "other gains/(losses) – net".

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast purchase that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example inventory), the gains and losses previously deferred in hedging reserve are transferred from hedging reserve and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold when these inventory are sold.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time, is recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in hedging reserve is immediately transferred to the income statement within "other gains/(losses) – net".

(b) Derivates not qualifying for hedge accounting or held for trading purposes

Certain derivates instruments do not qualify for hedge accounting. Any gains or losses arising from the change in the fair value of derivates that do not qualify for hedge accounting is recognised immediately in the income statement.



Notes to the Consolidated Financial Statements

22 Forward foreign exchange contracts (continued)

	2013 HK\$'000	2012 HK\$'000
Included in current liabilities – cash flow hedge	656	–

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

As at 31 March 2013, the notional principal amount of the outstanding forward foreign exchange contracts under cash flow hedges was HK\$18,273,000 (2012: Nil). The hedges related to highly probable forecasted purchases denominated in Euro which are expected to occur at various dates within a 12-month period. Gains and losses of forward foreign exchange contracts recorded in the hedging reserve in the equity for the year ended 31 March 2013 are to be recognised within cost of sales in the consolidated income statement when the underlying hedged transactions are completed and taken into the consolidated income statement.

The forward foreign exchange contracts entered for the year ended 31 March 2013 were determined to be effective hedges. There was no ineffectiveness to be recognised in the consolidated income statement.

23 Retirement benefit obligations

Accounting Policy No.9

(a) Retirement benefit obligations

	2013 HK\$'000	2012 HK\$'000
Retirement benefit obligations on		
– Defined benefit plan (Note 23 (b)(ii))	(382)	(252)
– Long service payments (Note 23 (b)(iii))	4,231	3,505
	<u>3,849</u>	<u>3,253</u>

Notes to the Consolidated Financial Statements

23 Retirement benefit obligations (continued)

(b) Retirement benefit costs

	2013 HK\$'000	2012 HK\$'000
Retirement benefit costs (Note 6)		
– Defined contribution plans (Note 23 (b)(i))	46,422	36,694
– Defined benefit plan (Note 23 (b)(ii))	(30)	(42)
	46,392	36,652
– Long service payments (Note 23 (b)(iii))	845	(285)
	47,237	36,367
Gross employer's contributions	46,781	37,247
Less: forfeited contributions utilised to reduce employer's contributions for the year	(389)	(595)
Net employer's contributions charged to the consolidated income statement	46,392	36,652
Long service payments (Note 23 (b)(iii))	845	(285)
	47,237	36,367

Notes:

- (i) Prior to 1 December 2000, certain subsidiaries of the Group in Hong Kong operated a defined contribution retirement benefit plan (the "Retirement Scheme") for the employees in Hong Kong. On 1 December 2000, the Retirement Scheme was suspended and replaced by the Mandatory Provident Fund Scheme (the "MPF Scheme") mentioned below. No more contribution was made 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\$25,000). Contributions from the employer equivalent to the contribution as specified at the rules of the MPF Scheme are 100% vested as soon as they are paid to the relevant MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the age of 65, subject to a few exceptions. As to the employer's contribution in excess of the portion vested in the MPF Scheme the employees are entitled to 100% of it after 10 years of completed service or at a reduced scale after completion of 3 to 9 years' service. 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.

Notes to the Consolidated Financial Statements

23 Retirement benefit obligations (continued)

(b) Retirement benefit costs (continued)

Notes: (continued)

- (ii) A branch of a wholly-owned subsidiary of the Group in Taiwan participates in a central defined benefit retirement plan (the "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 2013 by HSBC Life (International) Limited, a qualified actuary, using the projected unit credit method.

Effective from 1 July 2005, a new retirement plan (the "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 statement of financial position are determined as follows:

	2013 HK\$'000	2012 HK\$'000
Present value of funded obligations	2,911	2,782
Fair value of plan assets	(3,191)	(3,024)
	(280)	(242)
Unrecognised actuarial gains	(102)	(10)
Net asset in the statement of financial position (Note 23 (a))	(382)	(252)

The amounts credited to the consolidated income statement are as follows:

	2013 HK\$'000	2012 HK\$'000
Current service cost	15	18
Interest cost	30	37
Expected return on plan assets	(75)	(101)
Net actuarial losses recognised in the year	-	4
Total included in employee benefit expenses	(30)	(42)

Notes to the Consolidated Financial Statements

23 Retirement benefit obligations (continued)

(b) Retirement benefit costs (continued)

Notes: (continued)

(ii) (continued)

Movements in the defined benefit retirement plan assets recognised in the consolidated statement of financial position are as follows:

	2013 HK\$'000	2012 HK\$'000
At beginning of year	(252)	(115)
Total income	(30)	(42)
Employer contributions	(94)	(96)
Exchange differences	(6)	1
At end of year	(382)	(252)

The principal actuarial assumptions used are as follows:

	2013 %	2012 %
Discount rate	1.1	1.1
Expected rate of future salary increases	0-3.0	3.0

(iii) The Group's provision for long service payments are determined based on the actuarial valuation as at 31 March 2013 prepared by HSBC Life (International) Limited, a qualified actuary, using the projected unit credit method.

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

	2013 HK\$'000	2012 HK\$'000
Present value of unfunded obligations	5,675	5,707
Unrecognised actuarial losses	(1,444)	(2,202)
Long service payment liability in statement of financial position (Note 23 (a))	4,231	3,505

The amounts charged/(credited) to the consolidated income statement are as follows:

	2013 HK\$'000	2012 HK\$'000
Current service cost	565	117
Interest cost	45	20
Net actuarial losses/(gains) recognised in the year	235	(422)
Total included in employee benefit expenses	845	(285)

Notes to the Consolidated Financial Statements

23 Retirement benefit obligations (continued)

(b) Retirement benefit costs (continued)

Notes: (continued)

(iii) (continued)

Movement in the provision for long service payments obligations recognised in the consolidated statement of financial position is as follows:

	2013 HK\$'000	2012 HK\$'000
At beginning of year	3,505	3,978
Total expenses/(income)	845	(285)
Contributions paid	(119)	(188)
At end of year	4,231	3,505

The principal actuarial assumptions used are as follows:

	2013 %	2012 %
Discount rate	0.8	0.8
Expected rate of future salary increases	4.5-5.0	5.0

24 Share capital



Accounting Policy

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

Please refer to Accounting Policy No.10 for details on share options.



Authorised shares of HK\$0.1 each	Note	No. of shares	HK\$'000
At 31 March 2012 and 2013		8,000,000,000	800,000
Issued and fully paid shares of HK\$0.1 each			
At 1 April 2011		2,802,530,378	280,253
Issue of shares upon exercise of share options	(a)	12,138,352	1,214
At 31 March 2012		2,814,668,730	281,467
Issue of shares upon exercise of share options	(a)	12,242,666	1,224
At 31 March 2013		2,826,911,396	282,691

Notes to the Consolidated Financial Statements

24 Share capital (continued)

Notes:

(a) Issue of shares upon exercise of share options granted under the terminated 2002 Share Option Scheme

During the year, a total of 12,242,666 (2012: 12,138,352) shares were issued to a director and certain employees of the Company pursuant to the exercises of share options under the terminated 2002 Share Option Scheme. The proceeds of the issues totalled HK\$13,344,000 (2012: HK\$14,017,000) included share premium amounted to HK\$12,120,000 (2012: HK\$12,803,000).

(b) Share options

All the outstanding share options of the Company were granted under the terminated 2002 Share Option Scheme.

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

	No. of share options year ended 31 March	
	2013	2012
At beginning of the year	57,336,778	36,329,142
Granted	7,567,000	33,957,988
Exercised	(12,242,666)	(12,138,352)
Lapsed	(1,221,000)	(812,000)
At end of the year	51,440,112	57,336,778

The expiry dates and subscription prices of the share options outstanding as at 31 March 2013 were set out as follows:

Expiry date	Subscription price per Share (HK\$)	No. of share options outstanding as at 31 March	
		2013	2012
2002 Share Option Scheme			
29 October 2013	0.84	1,384,124	1,626,790
1 March 2019	1.095	5,000,000	17,000,000
29 September 2020	3.16	4,720,000	4,992,000
16 June 2021	4.95	4,980,000	5,572,000
28 February 2022	4.77	28,145,988	28,145,988
28 June 2022	4.85	7,210,000	–
		51,440,112	57,336,778

The weighted average fair value of share options granted during the year was determined using the binomial lattice model, prepared by HSBC Life (International) Limited, was HK\$1.48 per option (2012: HK\$1.42 – HK\$1.57). The significant inputs into the model were share price of HK\$4.85 at the grant date, exercise price of HK\$4.85, volatility of 46.0%, dividend yields of 4.0%, an expected option life of around six years and an annual risk-free interest rate of 0.5%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last six 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.

Notes to the Consolidated Financial Statements

25 Reserves

(a) Group

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Hedging reserve HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2012	591,256	11,783	15,643	-	19,733	710,942	1,349,357
Profit for the year	-	-	-	-	-	825,634	825,634
Other comprehensive income							
Cash flow hedges	-	-	-	(591)	-	-	(591)
Currency translation differences	-	-	-	-	720	-	720
Total comprehensive income for the year ended 31 March 2013	-	-	-	(591)	720	825,634	825,763
Employee share option scheme:							
Value of employee services	-	-	27,928	-	-	-	27,928
Proceeds from shares issued upon exercise of options (Note 24(a))	12,120	-	-	-	-	-	12,120
Transfer of reserve upon exercise of options	3,729	-	(3,729)	-	-	-	-
2011/2012 Final and Special dividends paid	-	-	-	-	-	(324,501)	(324,501)
2012/2013 Interim dividend paid	-	-	-	-	-	(70,673)	(70,673)
2012/2013 Special dividend paid	-	-	-	-	-	(127,211)	(127,211)
	15,849	-	24,199	-	-	(522,385)	(482,337)
At 31 March 2013	607,105	11,783	39,842	(591)	20,453	1,014,191	1,692,783

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2011	574,666	11,783	12,920	16,150	456,921	1,072,440
Profit for the year	-	-	-	-	689,709	689,709
Currency translation differences	-	-	-	3,583	-	3,583
Total comprehensive income for the year ended 31 March 2012	-	-	-	3,583	689,709	693,292
Employee share option scheme:						
Value of employee services	-	-	6,510	-	-	6,510
Proceeds from shares issued upon exercise of options (Note 24(a))	12,803	-	-	-	-	12,803
Transfer of reserve upon exercise of options	3,787	-	(3,787)	-	-	-
2010/2011 Final and Special dividends paid	-	-	-	-	(266,812)	(266,812)
2011/2012 Interim dividend paid	-	-	-	-	(56,292)	(56,292)
2011/2012 Special dividend paid	-	-	-	-	(112,584)	(112,584)
	16,590	-	2,723	-	(435,688)	(416,375)
At 31 March 2012	591,256	11,783	15,643	19,733	710,942	1,349,357

Notes to the Consolidated Financial Statements

25 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 2012	591,256	11,783	15,643	254,832	873,514
Profit for the year	–	–	–	921,870	921,870
Employee share option scheme:					
Value of employee services	–	–	27,928	–	27,928
Proceeds from shares issued upon exercise of options (Note 24 (a))	12,120	–	–	–	12,120
Transfer of reserve upon exercise of options	3,729	–	(3,729)	–	–
2011/2012 Final and Special dividends paid	–	–	–	(324,501)	(324,501)
2012/2013 Interim dividend paid	–	–	–	(70,673)	(70,673)
2012/2013 Special dividend paid	–	–	–	(127,211)	(127,211)
	15,849	–	24,199	(522,385)	(482,337)
At 31 March 2013	607,105	11,783	39,842	654,317	1,313,047

	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 2011	574,666	11,783	12,920	78,534	677,903
Profit for the year	–	–	–	611,986	611,986
Employee share option scheme:					
Value of employee services	–	–	6,510	–	6,510
Proceeds from shares issued upon exercise of options (Note 24 (a))	12,803	–	–	–	12,803
Transfer of reserve upon exercise of options	3,787	–	(3,787)	–	–
2010/2011 Final and Special dividends paid	–	–	–	(266,812)	(266,812)
2011/2012 Interim dividend paid	–	–	–	(56,292)	(56,292)
2011/2012 Special dividend paid	–	–	–	(112,584)	(112,584)
	16,590	–	2,723	(435,688)	(416,375)
At 31 March 2012	591,256	11,783	15,643	254,832	873,514

Notes to the Consolidated Financial Statements

26 Consolidated statement of cash flows

Cash generated from operations

	2013 HK\$'000	2012 HK\$'000
Profit for the year	825,634	689,709
Adjustments for:		
– Income tax expense	169,044	145,084
– Depreciation of property, plant and equipment	172,638	117,093
– (Gain)/loss on disposal of property, plant and equipment	(744)	176
– Write-off of property, plant and equipment	6,413	1,553
– Share-based payment	27,928	6,510
– Finance income	(7,509)	(6,419)
Changes in working capital	1,193,404	953,706
– Inventories	(43,917)	(388,874)
– Trade receivables	(22,491)	(22,246)
– Other receivables, deposits and prepayments	(97,264)	(70,247)
– Trade payables	(39,455)	196,270
– Other payables and accruals	32,079	95,394
– Retirement benefit obligations	596	(610)
Cash generated from operations	1,022,952	763,393

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

	2013 HK\$'000	2012 HK\$'000
Net book amount (Note 12)	2,282	1,726
Gain/(loss) on disposal of property, plant and equipment	744	(176)
Proceeds from disposal of property, plant and equipment	3,026	1,550

27 Commitments

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

	2013 HK\$'000	2012 HK\$'000
Contracted but not provided for	23,453	9,521
Authorised but not contracted	206,276	278,387
	229,729	287,908

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

Notes to the Consolidated Financial Statements

27 Commitments (continued)

(b) Commitments under operating leases

As at 31 March 2013, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2013 HK\$'000	2012 HK\$'000
Land and buildings		
Within one year	859,506	618,853
In the second to fifth year inclusive	1,131,939	791,259
After the fifth year	6,490	16,531
	1,997,935	1,426,643

28 Related party transactions



Accounting Policy

Related parties are individuals and companies, including subsidiaries, fellow subsidiaries, jointly controlled entities, associated companies and key management personnel, where the individual or company has the ability, directly or indirectly, control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions. A close family member of any such individual is considered to be a related party.



(a) Purchase of goods

	2013 HK\$'000	2012 HK\$'000
Purchase of goods from an entity controlled by an independent non-executive director	297	–

Goods are bought from the above entity at prices mutually agreed by both parties.

(b) Key management personnel compensation

Key management personnel represents individual who has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions.

Key management personnel compensation is disclosed as follows:

	2013 HK\$'000	2012 HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	35,851	35,227
Retirement benefit costs	1,914	1,733
Share-based payment	23,876	4,156
	61,641	41,116

Notes to the Consolidated Financial Statements

29 Event after the reporting period

On 14 June 2013, the Group entered into two provisional agreements with an independent third party to purchase certain properties for its own use as office and car park space for a total cash consideration of HK\$88,000,000. The transaction is expected to be completed on or before 1 November 2013.

30 Principal subsidiaries

Particulars of the principal subsidiaries at 31 March 2013:

Name	Place of incorporation/ kind of legal entity	Principal activities and place of operation (if different from place of incorporation)	Particulars of issued share capital/paid up share capital	Indirect interest held
Alibaster Management Limited	British Virgin Islands, limited liability company	Trading and retailing of cosmetic products in Taiwan	Ordinary US\$6,880,000	100%
Base Sun Investment Limited	Hong Kong, limited liability company	Property holding	Ordinary HK\$100 Deferred HK\$2	100%
Cyber Colors Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$1	100%
Docile Company Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$2	100%
Elegance Trading (Shanghai) Company Limited (Note 1)	PRC, limited liability company	Wholesale of cosmetic products	HK\$10,000,000	100%
Gig Limited	Samoa, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$1	100%
Hong Kong Sa Sa (M) Sdn. Bhd.	Malaysia, limited liability company	Trading and retailing of cosmetic products	Ordinary RM20,000,000	100%
Hadatuko Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$1	100%

Notes to the Consolidated Financial Statements

30 Principal subsidiaries (continued)

Particulars of the principal subsidiaries at 31 March 2013: (continued)

Name	Place of incorporation/ kind of legal entity	Principal activities and place of operation (if different from place of incorporation)	Particulars of issued share capital/paid up share capital	Indirect interest held
Lea Limited	Samoa, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$1	100%
Matford Trading Limited	Hong Kong, limited liability company	Property holding	Ordinary HK\$100 Deferred HK\$6	100%
Rosy Sino Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$1	100%
Sa Sa Cosmetic Company Limited	Hong Kong, limited liability company	Retailing and wholesaling of cosmetic products	Ordinary HK\$100 Deferred HK\$2	100%
Sa Sa Cosmetic Co. (S) Pte Limited	Singapore, limited liability company	Trading and retailing of cosmetic products	Ordinary S\$19,500,000	100%
Sa Sa dot Com Limited	Hong Kong, limited liability company	E-commerce	Ordinary HK\$1,000,000	100%
Sa Sa Investment (HK) Limited	Hong Kong, limited liability company	Property holding	Ordinary HK\$100 Deferred HK\$2	100%
Sa Sa Property Limited	Hong Kong, limited liability company	Property holding	Ordinary HK\$100	100%
Sa Sa Overseas Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$2	100%

Notes to the Consolidated Financial Statements

30 Principal subsidiaries (continued)

Particulars of the principal subsidiaries at 31 March 2013: (continued)

Name	Place of incorporation/ kind of legal entity	Principal activities and place of operation (if different from place of incorporation)	Particulars of issued share capital/paid up share capital	Indirect interest held
Sa Sa Cosmetic (China) Company Limited (Note 2)	PRC, limited liability company	Trading and retailing of cosmetic products	HK\$195,000,000	100%
SkinPeptoxy Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$1	100%
Swiss Rituel Limited	British Virgin Islands, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary US\$1	100%
Suisse Programme Limited	Gibraltar, limited liability company	Holding of intellectual property rights in Hong Kong	Ordinary Gibraltar £100	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 2013, its paid up capital was HK\$10,000,000.
- (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 2013, its paid up capital was HK\$195,000,000.

Glossary

AGM(s)	Annual general meetings of the Company
Board	Board of directors of the Company
CEO	Chief Executive Officer of the Company
CFO	Chief Financial Officer of the Company
CG Code	Corporate Governance Code and Corporate Governance Report, Appendix 14 of the Listing Rules
Code Provision(s)	Code Provisions in the CG Code
Company, Sasa, Sa Sa, Sa Sa Group, Group, we or us	Sa Sa International Holdings Limited, and, except where the context indicates otherwise, its subsidiaries
Corporate Communication(s)	Any document issued or to be issued by the Company for the information or action of holders of any securities of the Company, including but not limited to annual and interim report, notice of meeting, listing document, circular and proxy form.
Director(s)	Director(s) of the Company, including all executive, non-executive and independent non-executive directors
ERM	Enterprise Risk Management
HKExnews website	http://www.hkexnews.hk
Hong Kong, HK or HKSAR	The Hong Kong Special Administrative Region of the People's Republic of China
INED(s)	Independent Non-executive Director(s) of the Company
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Macau	The Macau Special Administrative Region of the People's Republic of China
Mainland or Mainland China	The People's Republic of China excluding Hong Kong, Macau and Taiwan


Glossary

Model Code	Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 of the Listing Rules
NED(s)	Non-executive Director(s) of the Company
PRC	The People's Republic of China
PwC, auditor, external auditor or independent auditor	PricewaterhouseCoopers
SFO	Securities and Futures Ordinance, Cap.571
Share(s)	Share(s) of the Company
Shareholder(s)	Shareholder(s) of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
The Company's website	http://corp.sasa.com



This 2012/13 Annual Report is available in both English and Chinese, and in both printed and electronic forms. Shareholders who (i) have received either the English or the Chinese version of the Annual Report and wish to have a copy in the language different from that has been received; or (ii) wish to change the choice of means of receipt or language of the Corporate Communications received from the Company in future, may request to do so by completing and returning the Change Request Form (which may be downloaded from the Company's website) by post or by hand to Tricor Abacus Limited ("Tricor"), the Company's branch share registrar and transfer office in Hong Kong. Tricor's address is at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.

This Annual Report and other Corporate Communications are now available on the Company's website at <http://corp.sasa.com> and the HKExnews website of the Stock Exchange at <http://www.hkexnews.hk>. If Shareholders have difficulty in receiving or gaining access to the same through the above means for any reason, the Company will promptly upon receiving the Change Request Form send the printed version of the requested document to the Shareholders free of charge.



As an environment-conscious corporate citizen, the Company encourages Shareholders to access the Corporate Communications via the Company's or HKExnews website. The Company's website presents a user-friendly interface in English and Chinese, and all Corporate Communications are easily accessible in the "Investor Relations" section following their releases. For Shareholders who would still like to receive printed versions of Corporate Communications, we allow them to elect to receive either the English language version or the Chinese language version. Paper consumption will be saved as the Company does not have to print both language versions in one single document.





SaSa

making life beautiful

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Shares of Sa Sa International Holdings Limited are traded on
The Stock Exchange of Hong Kong Limited (Stock Code: 178)

