notes to the consolidated financial statements

1 General information

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

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

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

As at 31 March 2008, 50.5% of the total issued shares of the Company is owned by Sunrise Height Incorporated, a company incorporated in the British Virgin Islands. The directors regard Sunrise Height Incorporated as being the ultimate holding company of the Company. The ultimate controlling party of the Group is a private company owned 50.0% each by Mr. KWOK, Siu Ming, Simon and Mrs. KWOK LAW, Kwai Chun, Eleanor.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Director on 25 June 2008.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(i) Standards, amendment and interpretations effective in 2008

HKFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to HKAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

HK(IFRIC) – Int 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Standards, amendment and interpretations effective in 2008 (continued)

HK(IFRIC) – Int 11, 'HKFRS 2 – Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's financial statements.

(ii) Standards, amendments and interpretations effective in 2008 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 March 2007 but they are not relevant to the Group's operations:

HK(IFRIC)-Int 8, 'Scope of HKFRS 2' requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements.

HK(IFRIC) – Int 9, 'Re-assessment of embedded derivatives act on the classification and valuation of the Group's financial instruments.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

– HKAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 April 2009.

– HKAS 23 (Revised), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1 April 2009 but is currently not applicable to the Group as there are no qualifying assets.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

- HKFRS 8, 'Operating segments' (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 April 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

- HK(IFRIC) – Int 13, 'Customer loyalty programmes' (effective from 1 July 2008). HK(IRFIC) – Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The Group will apply HK(IFRIC) – Int 13 from 1 April 2009, but it is not expected to have any impact on the Group's financial statements.

- HK(IFRIC) – Int 14, HKAS 19 – 'The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). HK(IFRIC) – Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC) – Int 14 from 1 April 2009, but it is not expected to have any impact on the Group's financial statements.

- HKAS 32 and HKAS 1 Amendments 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amendment requires some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. The Group will apply HKAS 32 and HKAS 1 Amendments from 1 April 2009, but it is not expected to have any impact on the Group's financial statements.

- HKAS 27 (Revised) 'Consolidated and separate financial statements' (effective from annual period beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1 April 2010.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

- HKFRS 3 (Revised) 'Business combination' (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are 'capable of being conducted' rather than 'are conducted and managed'. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1 April 2010.

- HKFRS 2 Amendment 'Share-based payment vesting conditions and cancellations' (effective from 1 January 2009). The amendment clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately. The Group will apply HKFRS 2 Amendment from 1 April 2009, but it is not expected to have any impact on the Group's financial statements.

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

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

- HK(IFRIC) – Int 12, 'Service concession arrangements' (effective from 1 January 2008). HK(IFRIC) – Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC) – Int 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services.

2 Summary of significant accounting policies (continued)

(b) Consolidation

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

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provide evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(c) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time of cash receipt for retail sale or the time of delivery for wholesale sale.

Revenue from beauty and health club services represents membership fee and service fee income in connection with the provision of physical fitness and beauty treatment service. Membership fees are recognised on a straight-line basis over the contract terms. Service fees received in advance are taken to the receipts in advance account and are recognised on a systematic basis in accordance with service usage over a maximum period of five years.

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

Rental income is recognised on a time proportion basis.

2 Summary of significant accounting policies (continued)

(d) Property, plant and equipment

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

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

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

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

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

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

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

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

(e) Operating leases

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

2 Summary of significant accounting policies (continued)

(f) Investment property

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

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

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

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

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

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

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

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

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

(h) Inventories

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

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

2 Summary of significant accounting policies (continued)

(i) Trade and other receivables

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

(j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(k) Share capital

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

(l) Trade payables

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

(m) Current and deferred income tax

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

2 Summary of significant accounting policies (continued)

(n) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting exchange differences are recognised as a separate component of equity.

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

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 Summary of significant accounting policies (continued)

(p) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefit obligations

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

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

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

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

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

(iii) Long service payments

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

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

2 Summary of significant accounting policies (continued)

(p) Employee benefits (continued)

(iii) Long service payments (continued)

Long service payments are discounted to determine the present value of obligation and reduced by entitlement accrued under the Group's defined contribution plans that are attributable to contributions made by the Group. Actuarial gains and losses are recognised over the average remaining service lives of employees. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested.

(iv) Share-based payment

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity over the remaining vesting period.

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

(v) Bonus plan

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

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

(q) Segment reporting

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

(r) Contingent liabilities and contingent assets

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

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

2 Summary of significant accounting policies (continued)

(r) Contingent liabilities and contingent assets (continued)

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

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

(s) Dividend distribution

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

3 Financial risk management

3.1 Financial risk factors

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

(a) *Foreign exchange risk*

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

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

Under the Hong Kong Monetary Authority's monetary policy, the convertibility zone for Hong Kong dollar against U.S. dollar is set between 7.75 and 7.85. At 31 March 2008, if Hong Kong dollar had weakened/strengthened to 7.85/7.75 against U.S. dollar with all other variables held constant, profit for the year would have been higher by HK$2,890,000 (2007: HK$1,924,000) and lower by HK$1,366,000 (2007: HK$3,207,000), mainly as a result of foreign exchange gains/losses on translation of U.S. dollar-denominated cash and bank balances and U.S. dollar-denominated financial liabilities. The Group considers the risk of movements in exchange rates between Hong Kong dollar and U.S. dollar to be insignificant due to Hong Kong dollar and U.S. dollar are pegged. There is no impact on equity.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) *Credit risk*

The Group has no significant concentrations of credit risk, with exposure spread over a number of customers. Majority of the Group's turnover are cash or credit card sales. The Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Derivative counter parties and cash transactions are limited to high-credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

Trade receivables are due within 30 days from the date of billings. As at 31 March 2008, 81.2% of the total trade receivables was due within 30 days (2007: 90.3%). The maximum exposure to credit risk is represented by the carrying amount of trade receivables in the consolidated balance sheet. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 22.

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and making available an adequate amount of committed credit facilities with staggered maturities to reduce refinancing risk in any year and to fund working capital, debt servicing, dividend payments, new investments and close out market positions if required. Based on the Group has steady cash inflow from operations and has adequate financial resources to fund its operations and future expansion. As at 31 March 2008, the Group's financial liabilities were mainly trade and other payables amounting to HK$207,735,000 (2007: HK$138,603,000), which were due within 12 months.

(d) *Interest rate risk*

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

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

Besides, the Group has no significant borrowing during the year. The interest rate risk resulted from borrowing is minimal.

3.2 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.

4 Critical accounting estimates and judgements

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

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

(a) Income taxes

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

At 31 March 2008, the Group did not recognise deferred income tax assets of HK$25,091,000 in respect of losses amounting to HK$105,943,000 that can be carried forward against future taxable income. Estimating the amount of deferred income tax asset arising from tax losses requires a process that involves determining appropriate provisions for income tax expense, forecasting future year’s taxable income and assessing our ability to utilise tax benefits through future earnings. In cases where the actual future profits generated are different from original estimates than expected, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such circumstances are changed.

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

The Group 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 2008, after reviewing the business environment as well as the Group’s objectives and past performance of the investments, management has concluded that there was no impairment loss for the above assets at 31 March 2008.

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

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

(d) Fair value estimation of share options

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

5 Revenues, turnover and segment information

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

	Group	
	2008	2007
	HK$'000	HK$'000
Continuing operations		
Turnover		
Retail and wholesale	**3,221,429**	2,676,816
Other income		
Slide display rental income	**18,090**	17,797
Rental income	**1,522**	1,273
Sundry income	**68**	192
	19,680	19,262
	3,241,109	2,696,078
Discontinued operations		
Turnover		
Beauty and health club services	**231,658**	212,421
Other income		
Sundry income	**1,097**	1,108
	232,755	213,529
	3,473,864	2,909,607

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

5 Revenues, turnover and segment information (continued)

(a) Primary reporting format – business segments

	Continuing operations	Discontinued operations	
	Retail and wholesale HK$'000	Beauty & health club services HK$'000	2008 Total HK$'000
Turnover	3,221,429	231,658	3,453,087
Results			
Segment results	322,733	3,962	326,695
Interest income			26,601
Profit before income tax			353,296
Income tax expense			(72,117)
Gain on disposal of subsidiaries	–	67,034	67,034
Profit for the year			348,213
Segment assets	1,439,749	–	1,439,749
Unallocated corporate assets			3,375
Total assets			1,443,124
Segment liabilities	300,998	–	300,998
Unallocated corporate liabilities			33,633
Total liabilities			334,631
Other information			
Capital expenditure	53,096	5,895	58,991
Depreciation	64,718	9,937	74,655
Amortisation	796	–	796
Write-off of property, plant and equipment	1,515	171	1,686
Provision for/(reversal of provision for) impairment losses on trade receivables	68	(7)	61
Provision for/(reversal of provision for) slow moving inventories and stock shrinkage	29,778	(99)	29,679
Fair value gain on investment property	2,900	–	2,900

5 Revenues, turnover and segment information (continued)

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

	Continuing operations	Discontinued operations	
	Retail and wholesale HK$'000	Beauty & health club services HK$'000	2007 Total HK$'000
Turnover	2,676,816	212,421	2,889,237
Results			
Segment results	247,474	(186)	247,288
Interest income			24,216
Profit before income tax			271,504
Income tax expense			(49,711)
Profit for the year			221,793
Segment assets	1,311,522	93,520	1,405,042
Unallocated corporate assets			17,538
Total assets			1,422,580
Segment liabilities	201,304	239,804	441,108
Unallocated corporate liabilities			30,882
Total liabilities			471,990
Other information			
Capital expenditure	49,013	8,753	57,766
Depreciation	63,813	13,613	77,426
Amortisation	428	–	428
Write-off of property, plant and equipment	1,660	22	1,682
Provision for impairment losses on trade receivables	–	52	52
Provision for/(reversal of provision for) slow moving inventories and stock shrinkage	24,172	(350)	23,822
Fair value gain on investment property	2,600	–	2,600
Reversal of impairment losses on leasehold land	12,092	–	12,092

5 Revenues, turnover and segment information (continued)

(b) Secondary reporting format – geographical segments

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

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

	Mainland China and SAR HK$'000	Taiwan HK$'000	South Asia HK$'000	2007 Total HK$'000
Turnover				
– Continuing operations	2,371,170	120,056	185,590	2,676,816
– Discontinued operations	145,183	–	67,238	212,421
	2,516,353	120,056	252,828	2,889,237
Segment assets				
– Continuing operations	1,134,150	54,915	122,457	1,311,522
– Discontinued operations	69,687	–	23,833	93,520
	1,203,837	54,915	146,290	1,405,042
Unallocated corporate assets				17,538
Total assets				1,422,580
Capital expenditure				
– Continuing operations	33,739	5,989	9,285	49,013
– Discontinued operations	5,202	–	3,551	8,753
	38,941	5,989	12,836	57,766

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

Capital expenditure, comprises additions to property, plant and equipment, leasehold land and investment property, is allocated based on where the assets are located.

6 Other net gains – Group

	2008 HK$'000	2007 HK$'000
Continuing operations		
Fair value gain on investment property (Note 17)	**2,900**	2,600
Reversal of impairment losses on leasehold land (Note 16)	**–**	12,092
Net exchange gains	**868**	3,055
Fair value changes on forward foreign exchange contracts	**–**	262
Provision for staff costs, including discretionary bonus, made in previous years written back	**–**	2,825
	3,768	20,834
Discontinued operations		
Net exchange (losses)/gains	**(29)**	124
	3,739	20,958

7 Expenses by nature – Group

	Continuing operations		Discontinued operations		Total	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Cost of inventories sold	**1,831,949**	1,538,403	**20,070**	17,545	**1,852,019**	1,555,948
Employee benefit expenses (including directors' emoluments) (Note 8)	**454,147**	382,494	**112,072**	100,829	**566,219**	483,323
Depreciation of property, plant and equipment	**64,718**	63,813	**9,937**	13,613	**74,655**	77,426
Amortisation of leasehold land	**796**	428	**–**	–	**796**	428
Write-off of property, plant and equipment	**1,515**	1,660	**171**	22	**1,686**	1,682
Provision for/(reversal of provision for) impairment losses on trade receivables	**68**	–	**(7)**	52	**61**	52
Operating lease rentals in respect of land and buildings						
– minimum lease payments	**301,892**	254,666	**28,290**	25,804	**330,182**	280,470
– contingent rent	**4,814**	2,421	**3,110**	2,922	**7,924**	5,343
Auditors' remuneration	**2,634**	2,519	**503**	338	**3,137**	2,857
Others	**259,611**	223,034	**54,618**	52,714	**314,229**	275,748
	2,922,144	2,469,438	**228,764**	213,839	**3,150,908**	2,683,277
Representing:						
Cost of sales	**1,831,949**	1,538,403	**85,381**	78,686	**1,917,330**	1,617,089
Selling and distribution costs	**945,026**	799,859	**128,059**	123,311	**1,073,085**	923,170
Administrative expenses	**145,169**	131,176	**15,324**	11,842	**160,493**	143,018
	2,922,144	2,469,438	**228,764**	213,839	**3,150,908**	2,683,277

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

	Continuing operations		Discontinued operations		Total	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Directors' fees	**1,335**	1,170	**–**	–	**1,335**	1,170
Wages, salaries, housing allowances, other allowances and benefits in kind	**429,341**	356,971	**105,937**	95,942	**535,278**	452,913
Provision for unutilised annual leave	**702**	779	**1,717**	897	**2,419**	1,676
Retirement benefit costs (Note 25(b))	**19,128**	17,793	**4,418**	4,290	**23,546**	22,083
Share-based payment	**3,641**	5,781	**–**	(300)	**3,641**	5,481
	454,147	382,494	**112,072**	100,829	**566,219**	483,323

9 Directors' and senior management's emoluments– Group

(a) Directors' emoluments

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

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

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

(a) Directors' emoluments (continued)

The remuneration of each director of the Company during the year ended 31 March 2007 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						
Mr. Kwok, Siu Ming, Simon, J.P.	–	2,858	238	200	–	3,296
Mrs. Kwok Law, Kwai Chun, Eleanor	–	2,594	216	182	–	2,992
Mr. Look, Guy	–	3,280	–	229	4,986	8,495
Non-executive Director						
Mrs. Lee Look, Ngan Kwan, Christina	258	–	–	–	–	258
Independent Non-executive Directors						
Professor Chan, Yuk Shee, J.P.	298	–	–	–	–	298
Ms. Ki Man Fung, Leonie, J.P.	76	–	–	–	–	76
Dr. Leung, Kwok Fai, Thomas, J.P.	273	–	–	–	–	273
Ms. Tam, Wai Chu, Maria, GBS, J.P.	265	–	–	–	–	265
	1,170	8,732	454	611	4,986	15,953

Notes:

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

(ii) No share options were granted to the executive director under the 2002 Share Option Scheme during the year (2007: 13,488,844).

No compensation for loss of office has been paid to the directors for the years ended 31 March 2008 and 2007.

No director of the Company waived any emoluments during the years ended 31 March 2008 and 2007.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2007: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2007: two) individuals during the year were as follows:

	2008 HK$'000	2007 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**2,867**	2,575
Discretionary bonuses	**726**	302
Retirement benefit costs	**151**	180
Share-based payment	**–**	(8)
	3,744	3,049

The emoluments of the individuals fell within the following bands:

	Number of individuals	
Emoluments bands	**2008**	2007
HK$1,000,001 – HK$1,500,000	**–**	1
HK$1,500,001 – HK$2,000,000	**2**	1
HK$2,000,001 – HK$2,500,000	**–**	–
	2	2

10 Income tax expense – Group

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	Continuing operations		Discontinued operations		Total	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Hong Kong profits tax						
Current	**62,131**	47,127	**(149)**	(247)	**61,982**	46,880
(Over)/under provision in previous years	**(6)**	73	**–**	–	**(6)**	73
Overseas taxation						
Current	**6,881**	4,171	**1,216**	390	**8,097**	4,561
(Over)/under provision in previous years	**(171)**	224	**(778)**	–	**(949)**	224
Deferred income tax relating to origination and reversal of temporary differences (Note 20)	**2,421**	(1,589)	**408**	(426)	**2,829**	(2,015)
Change in tax rate	**46**	24	**118**	(36)	**164**	(12)
	71,302	50,030	**815**	(319)	**72,117**	49,711

10 Income tax expense – Group (continued)

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

	2008 HK$'000	2007 HK$'000
Profit before income tax		
– Continuing operations	**347,555**	270,557
– Discontinued operations	**5,741**	947
	353,296	271,504
Tax calculated at a taxation rate of 17.5% (2007: 17.5%)	**61,827**	47,514
Effect of different taxation rates in other countries	**342**	(90)
Income not subject to income tax	**(3,291)**	(7,401)
Expenses not deductible for income tax purposes	**1,561**	4,652
Net unrecognised tax losses	**12,469**	4,751
(Over)/under provision in previous years	**(955)**	297
Change in tax rate	**164**	(12)
Income tax expense	**72,117**	49,711

11 Profit for the year, attributable to equity holders of the Company

Profit for the year, attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$171,841,000 (2007: HK$208,466,000).

12 Earnings per share

(a) The calculation of basic and diluted earnings per share from continuing operations is based on the Group's profit from continuing operations attributable to equity holders of the Company of HK$276,253,000 (2007: HK$220,527,000).

(b) The calculation of basic and diluted earnings per share from discontinued operations is based on the Group's profit from discontinued operations attributable to equity holders of the Company of HK$71,960,000 (2007: HK$1,266,000).

(c) The calculation of basic earnings per share from continuing and discontinued operations is based on the weighted average of 1,374,282,947 (2007: 1,354,258,744) shares in issue during the year.

(d) The calculation of diluted earnings per share from continuing and discontinued operations is based on the weighted average of 1,374,282,947 (2007: 1,354,258,744) shares in issue during the year plus the weighted average of 3,356,759 (2007: 6,790,164) shares deemed to be issued if all outstanding share options granted under the share option scheme of the Company had been exercised.

13 Dividends – Company

	2008 HK$'000	2007 HK$'000
Interim, paid – 3.0 HK cents (2007: 3.0 HK cents) per share	**41,309**	40,784
Special, paid – 3.0 HK cents (2007: 3.0 HK cents) per share	**41,309**	40,784
Final, proposed – 5.0 HK cents (2007: 5.0 HK cents) per share	**68,983**	68,559
Special, proposed – 10.0 HK cents (2007: 6.0 HK cents) per share	**137,965**	82,270
	289,566	232,397

At a meeting held on 25 June 2008, the directors declared a final dividend of 5.0 HK cents and a special dividend of 10.0 HK cents per share. These proposed dividends have not been reflected as dividend payables in these consolidated financial statements, but will be reflected as an appropriation of distributable reserve for the year ending 31 March 2009.

14 Profit for the year from discontinued operations

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

The results and cash flows of the discontinued operations included in the consolidated income statement and the consolidated cash flow statement are set out below.

	Note	2008 HK$'000	2007 HK$'000
Turnover	5	**231,658**	212,421
Cost of sales		**(85,381)**	(78,686)
Gross profit		**146,277**	133,735
Other income	5	**1,097**	1,108
Selling and distribution costs		**(128,059)**	(123,311)
Administrative expenses		**(15,324)**	(11,842)
Other net (losses)/gains	6	**(29)**	124
Operating profit		**3,962**	(186)
Interest income		**1,779**	1,133
Profit before income tax		**5,741**	947
Income tax expense	10	**(815)**	319
Profit for the year		**4,926**	1,266
Gain on disposal of subsidiaries		**67,034**	–
Profit for the year from discontinued operations		**71,960**	1,266

	Note	2008 HK$'000	2007 HK$'000
Net cash inflow from operating activities		**106,234**	24,226
Net cash outflow from investing activities		**(4,098)**	(7,598)
Net cash inflow from discontinued operations		**102,136**	16,628
Cash and cash equivalents at beginning of the year		**50,910**	34,282
Cash and cash equivalents at end of the year	28(b)	**153,046**	50,910

15 Property, plant and equipment – Group

	Buildings HK$'000	Leasehold improvements HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicles and vessel HK$'000	Total HK$'000
Year ended 31 March 2008					
Opening net book amount	25,203	68,621	43,123	1,824	138,771
Exchange differences	–	1,372	490	31	1,893
Additions	–	37,856	20,659	476	58,991
Disposals	–	–	(5)	(436)	(441)
Write-off	–	(833)	(853)	–	(1,686)
Depreciation	(2,568)	(47,589)	(23,752)	(746)	(74,655)
Disposal of subsidiaries	–	(3,724)	(9,673)	–	(13,397)
Closing net book amount	**22,635**	**55,703**	**29,989**	**1,149**	**109,476**
At 31 March 2008					
Cost or valuation	**25,203**	**210,770**	**93,932**	**11,061**	**340,966**
Accumulated depreciation	**(2,568)**	**(155,067)**	**(63,943)**	**(9,912)**	**(231,490)**
Net book amount	**22,635**	**55,703**	**29,989**	**1,149**	**109,476**
At 1 April 2006					
Cost or valuation	24,173	255,371	132,194	11,563	423,301
Accumulated depreciation	(1,177)	(172,233)	(86,267)	(8,612)	(268,289)
Net book amount	22,996	83,138	45,927	2,951	155,012
Year ended 31 March 2007					
Opening net book amount	22,996	83,138	45,927	2,951	155,012
Exchange differences	–	487	403	67	957
Revaluation	4,560	–	–	–	4,560
Additions	–	36,333	20,938	495	57,766
Disposals	–	–	(45)	(371)	(416)
Write-off	–	(659)	(1,023)	–	(1,682)
Depreciation	(2,353)	(50,678)	(23,077)	(1,318)	(77,426)
Closing net book amount	25,203	68,621	43,123	1,824	138,771
At 31 March 2007					
Cost or valuation	25,203	278,848	138,601	11,099	453,751
Accumulated depreciation	–	(210,227)	(95,478)	(9,275)	(314,980)
Net book amount	25,203	68,621	43,123	1,824	138,771

15 Property, plant and equipment – Group (continued)

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

	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 2008					
At cost	**–**	**210,770**	**93,932**	**11,061**	**315,763**
At valuation	**25,203**	**–**	**–**	**–**	**25,203**
	25,203	**210,770**	**93,932**	**11,061**	**340,966**
At 31 March 2007					
At cost	–	278,848	138,601	11,099	428,548
At valuation	25,203	–	–	–	25,203
	25,203	278,848	138,601	11,099	453,751

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

(b) The buildings were revalued on the basis of their open market values at 31 March 2007 by DTZ Debenham Tie Leung Limited, an independent firm of qualified chartered surveyors. In 2007, the surplus arising on revaluation of buildings amounted to HK$4,560,000 was credited to building revaluation reserve.

(c) The carrying amounts of buildings would have been HK$15,573,000 (2007: HK$17,349,000) had they been stated at cost less accumulated depreciation.

16 Leasehold land – Group

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

	2008 HK$'000	2007 HK$'000
At beginning of the year	**29,556**	17,892
Amortisation of prepaid operating lease payment	**(796)**	(428)
Reversal of impairment losses (Note 6)	**–**	12,092
At end of the year	**28,760**	29,556

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

17 Investment property – Group

	2008 HK$'000	2007 HK$'000
At beginning of the year	**8,600**	6,000
Fair value gain (Note 6)	**2,900**	2,600
At end of the year	**11,500**	8,600

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

(b) The investment property was revalued on the basis of its open market value at 31 March 2008 by DTZ Debenham Tie Leung Limited, an independent firm of qualified chartered surveyors. The surplus arising on revaluation of investment property amounted to HK$2,900,000 (2007: HK$2,600,000) and is credited to the consolidated income statement.

(c) During the year, the Group has gross rental income of HK$497,000 (2007: HK$414,000) from investment property. The amount was included in other income in the consolidated income statement.

18 Investments in and amounts due from subsidiaries – Company

	2008 HK$'000	2007 HK$'000
Unlisted shares, at cost	**1**	1
Amounts due from subsidiaries (Note (b))	**1,021,526**	925,222
Provision for impairment of amounts due from subsidiaries	**(449,090)**	(411,542)
	572,437	513,681
Amounts due to subsidiaries (Note (b))	**11**	97

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

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

19 Rental deposits and other assets

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Rental deposits	**69,245**	54,856	**–**	–
Others	**750**	750	**750**	750
	69,995	55,606	**750**	750

Rental deposits are carried at amortised cost using the effective interest rate of 2.4%-3.8% per annum. At 31 March 2008, the carrying amounts of rental deposits approximate their fair values.

20 Deferred income tax – Group

Deferred income tax is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2007: 17.5%).

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

	2008	2007
	HK$'000	HK$'000
At beginning of the year	**13,990**	11,027
Deferred income tax (charged)/credited to the income statement (Note 10)	**(2,829)**	2,015
Tax charged/(credited) directly to building revaluation reserve in equity	**87**	(797)
(Decrease)/increase in opening net deferred tax assets resulting from change in tax rate	**(118)**	12
Exchange differences	**759**	1,733
Disposal of subsidiaries	**(10,289)**	–
At end of the year	**1,600**	13,990

Deferred income tax assets are recognised for tax losses carries forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$25,091,000 (2007: HK$38,732,000) in respect of losses amounting to HK$105,943,000 (2007: HK$165,660,000) that can be carried forward against future taxable income. Losses amounting to HK$86,491,000 (2007: HK$47,587,000) will expire within 5 years from 31 March 2008. The remaining tax losses have no expiry date.

20 Deferred income tax – Group (continued)

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

	2008 HK$'000	2007 HK$'000
Deferred income tax assets	**2,625**	16,683
Deferred income tax liabilities	**(1,025)**	(2,693)
	1,600	13,990

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

Deferred income tax assets	Decelerated tax depreciation		Investment property valuation		Provisions		Tax losses		Receipts in advance		Total	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
At beginning of year	**4,425**	3,563	**330**	352	**3,154**	3,942	**1,887**	2,184	**7,810**	6,892	**17,606**	16,933
(Charged)/credited to the income statement	**(2,379)**	715	**(39)**	(22)	**65**	(846)	**(2,065)**	(458)	**112**	(415)	**(4,306)**	(1,026)
Decrease in opening net deferred tax assets resulting from decrease in tax rate	**(130)**	(23)	**(17)**	–	**(77)**	(25)	**–**	–	**–**	–	**(224)**	(48)
Exchange differences	**209**	170	**–**	–	**172**	83	**178**	161	**200**	1,333	**759**	1,747
Disposal of subsidiaries	**(1,815)**	–	**–**	–	**(498)**	–	**–**	–	**(8,122)**	–	**(10,435)**	–
At end of year	**310**	4,425	**274**	330	**2,816**	3,154	**–**	1,887	**–**	7,810	**3,400**	17,606

20 Deferred income tax – Group (continued)

Deferred income tax liabilities	Accelerated tax depreciation		Fair value gain		Total	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
At beginning of year	**2,819**	5,906	**797**	–	**3,616**	5,906
Credited to the income statement	**(1,477)**	(3,041)	**–**	–	**(1,477)**	(3,041)
(Credited)/charged directly to equity	**–**	–	**(87)**	797	**(87)**	797
Decrease in opening net deferred tax liabilities resulting from decrease in tax rate	**(60)**	(60)	**(46)**	–	**(106)**	(60)
Exchange differences	**–**	14	**–**	–	**–**	14
Disposal of subsidiaries	**(146)**	–	**–**	–	**(146)**	–
At end of year	**1,136**	2,819	**664**	797	**1,800**	3,616

21 Inventories – Group

	2008 HK$'000	2007 HK$'000
Merchandise stock for resale	**470,543**	384,034

The cost of inventories recognized as expense and included in cost of sales amounted to HK$1,852,019,000 (2007: HK$1,555,948,000).

During the year, the Group has made a provision of HK$29,679,000 for slow moving inventories and stock shrinkage (2007: HK$23,822,000). The amount was included in cost of sales in the consolidated income statement.

22 Trade receivables – Group

	2008 HK$'000	2007 HK$'000
Trade receivables	**28,333**	30,852
Less: provision for impairment losses on trade receivables	**(68)**	(28)
Trade receivables – net	**28,265**	30,824

22 Trade receivables – Group (continued)

The Group's turnover are mainly cash and credit card sales. Certain wholesale customers are granted credit terms ranging from 7 to 30 days. The ageing analysis of trade receivables is as follows:

	2008 HK$'000	2007 HK$'000
Within 1 month	**22,958**	27,843
1 to 3 months	**3,225**	2,326
Over 3 months	**2,082**	655
	28,265	30,824

The fair values of trade receivables approximate their carrying amounts.

Trade receivables are mainly denominated in Hong Kong dollars.

During the year, the Group has made a provision for impairment losses on trade receivables of HK$61,000 (2007: HK$52,000). The provision has been included in selling and distribution costs.

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

23 Cash and bank balances

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Bank deposits over three months to maturity	**227,262**	125,862	**189,466**	108,631
Cash at bank and in hand	**120,176**	128,390	**18,666**	605
Short-term bank deposits	**304,205**	441,595	**100,615**	299,424
Cash and cash equivalents	**424,381**	569,985	**119,281**	300,029
	651,643	695,847	**308,747**	408,660

23 Cash and bank balances (continued)

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**148,909**	144,502	**20,827**	27,076
U.S. dollars	**344,149**	413,633	**287,920**	381,584
Euro	**33,378**	12,135	**–**	–
Renminbi	**10,828**	6,942	**–**	–
Singapore dollars	**22,817**	26,160	**–**	–
Malaysian Ringit	**48,550**	44,457	**–**	–
Taiwan dollars	**16,382**	18,491	**–**	–
Others	**26,630**	29,527	**–**	–
	651,643	695,847	**308,747**	408,660

The effective interest rate on bank deposits over three months to maturity was 3.9% (2007: 4.7%); these deposits have an average maturity of 7 months (2007: 6 months).

The effective interest rate on short-term bank deposits was 3.4% (2007: 5.1%); these deposits have an average maturity of 1 month (2007: 2 months).

The cash and cash equivalents are not exposed to material credit risk.

24 Trade and bills payables – Group

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

	2008	2007
	HK$'000	HK$'000
Within 1 month	**78,539**	68,576
1 to 3 months	**82,431**	46,655
Over 3 months	**17,488**	6,041
	178,458	121,272

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

24 Trade and bills payables – Group (continued)

Trade and bills payables are denominated in the following currencies:

	2008 HK$'000	2007 HK$'000
Hong Kong dollars	**109,855**	68,312
U.S. dollars	**12,941**	12,745
Euro	**20,444**	9,318
Renminbi	**7,590**	3,119
Singapore dollars	**6,440**	7,119
Taiwan dollars	**7,315**	7,673
Swiss Franc	**7,044**	2,055
Others	**6,829**	10,931
	178,458	121,272

25 Retirement benefit obligations – Group

(a) Retirement benefit obligations

	2008 HK$'000	2007 HK$'000
Retirement benefit obligations on		
– Defined benefit plan (Note (b)(ii))	**451**	430
– Long service payments (Note (b)(iii))	**4,178**	9,535
	4,629	9,965

(b) Retirement benefit costs

	2008 HK$'000	2007 HK$'000
Retirement benefit costs (Note 8)		
– Defined contribution plans (Note (i))	**23,864**	21,915
– Defined benefit plan (Note (ii))	**118**	299
	23,982	22,214
– Long service payments (Note (iii))	**(436)**	(131)
	23,546	22,083
Gross employer's contributions	**24,174**	22,491
Less: Forfeited contributions utilised to reduce employer's contributions for the year	**(192)**	(277)
Net employer's contributions charged to the consolidated income statement	**23,982**	22,214

25 Retirement benefit obligations – Group (continued)

(b) Retirement benefit costs (continued)

Notes:

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

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

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

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

The latest actuarial valuation was prepared as at 31 March 2008 by HSBC Life (International) Limited, a qualified actuary, using the projected unit credit method.

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

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

	2008 HK$'000	2007 HK$'000
Present value of funded obligations	**1,934**	1,965
Fair value of plan assets	**(2,346)**	(1,967)
	(412)	(2)
Unrecognised actuarial gains	**863**	432
Liability in the balance sheet (Note (a))	**451**	430

25 Retirement benefit obligations – Group (continued)

(b) Retirement benefit costs (continued)

Notes: (continued)

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

	2008 HK$'000	2007 HK$'000
Current service cost	**207**	344
Interest cost	**40**	32
Expected return on plan assets	**(65)**	(52)
Net actuarial gains recognised in the year	**(64)**	(25)
Total included in employee benefit expenses	**118**	299

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

	2008 HK$'000	2007 HK$'000
At beginning of year	**430**	324
Total expense	**118**	299
Contributions paid	**(140)**	(181)
Exchange differences	**43**	(12)
At end of year	**451**	430

The principal actuarial assumptions used are as follows:

	2008 %	2007 %
Discount rate	**2.20**	1.90
Expected rate of return on plan assets	**3.00**	3.00
Expected rate of future salary increases	**3.00**	2.50

(iii) The Group's provision for long service payments are determined based on the actuarial valuation as at 31 March 2008 prepared by HSBC Life (International) Limited, a qualified actuary, using the projected unit credit method.

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

	2008 HK$'000	2007 HK$'000
Present value of unfunded obligations	**1,973**	3,422
Unrecognised actuarial gains	**2,205**	6,113
Liability in balance sheet (Note (a))	**4,178**	9,535

25 Retirement benefit obligations – Group (continued)

(b) Retirement benefit costs (continued)

Notes: (continued)

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

	2008 HK$'000	2007 HK$'000
Current service cost	**354**	609
Interest cost	**140**	164
Net actuarial gains recognised in the year	**(930)**	(904)
Total included in employee benefit expenses	**(436)**	(131)

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

	2008 HK$'000	2007 HK$'000
At beginning of year	**9,535**	9,735
Total expense	**(436)**	(131)
Contributions paid	**(127)**	(212)
Exchange differences	**28**	143
Disposal of subsidiaries	**(4,822)**	–
At end of year	**4,178**	9,535

The principal actuarial assumptions used are as follows:

	2008 %	2007 %
Discount rate	**2.40**	4.15
Expected rate of future salary increases	**3.00 to 5.00**	2.00 to 3.00

26 Share capital

Authorised shares of HK$0.1 each	Note	No. of shares	HK$'000
At 31 March 2007 and 2008		8,000,000,000	800,000
Issued and fully paid shares of HK$0.1 each			
At 1 April 2006		1,347,112,731	134,711
Issue of shares upon exercise of share options	(a)	21,506,395	2,151
At 31 March 2007 and 1 April 2007		1,368,619,126	136,862
Issue of shares upon exercise of share options	(a)	10,324,019	1,032
At 31 March 2008		1,378,943,145	137,894

Notes:

(a) **Issue of shares upon exercise of share options**

During the year, a total of 10,324,019 (2007: 21,506,395) shares were issued to certain staff members of the Company pursuant to the exercises of share options under the 1997 Share Option Scheme and the 2002 Share Option Scheme respectively. The proceeds of the issues totalling HK$17,433,000 (2007: HK$32,402,000) including share premium amounted to HK$16,401,000 (2007: HK$30,251,000).

(b) **Share options**

The share options of the Company were granted under:–

(i) the 1997 Share Option Scheme; and

(ii) the 2002 Share Option Scheme.

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

	No. of share options Year ended 31 March	
	2008	2007
At beginning of the year	**36,335,099**	54,531,608
Granted	**–**	13,488,844
Exercised	**(10,324,019)**	(21,506,395)
Lapsed	**(897,866)**	(10,178,958)
As the end of the year	**25,113,214**	36,335,099

26 Share capital (continued)

Notes: (continued)

(b) Share options (continued)

The expiry dates and exercise prices of the share options outstanding as at 31 March 2008 were set out as follows:–

Expiry date	Exercise price per share (HK$)	No. of Share Options as at 31 March 2008	2007
1997 Share Option Scheme			
8 September 2007	1.90	**–**	406,000
2002 Share Option Scheme			
1 October 2013	1.88	**–**	666,666
29 October 2013	1.68	**8,090,372**	18,096,924
28 February 2014	2.85	**268,333**	268,333
2 March 2014	2.78	**775,333**	775,333
28 June 2014	3.00	**1,000,000**	1,000,000
1 August 2014	3.12	**321,333**	321,333
30 November 2014	3.85	**953,666**	1,096,333
21 December 2014	4.15	**215,333**	215,333
25 May 2016	2.965	**13,488,844**	13,488,844
		25,113,214	36,335,099

Fair value of share options, measured at the grant date of the options, are determined using the binominal lattice model that is based on the underlying assumptions of one of the commonly used employee share option pricing model. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

27 Reserves

(a) Group

	Share premium HK$'000	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Building revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2007	623,080	11,783	18,854	3,763	(22,220)	178,468	813,728
Profit for the year	–	–	–	–	–	348,213	348,213
Depreciation transfer on buildings, net of tax	–	–	–	(399)	–	532	133
Exchange differences recognised directly in equity	–	–	–	–	11,022	–	11,022
Total recognised income for the year ended 31 March 2008	–	–	–	(399)	11,022	348,745	359,368
Employee share option scheme:							
Value of employee services	–	–	3,641	–	–	–	3,641
Shares issued upon exercise of options (Note 26(a))	16,401	–	–	–	–	–	16,401
Transfer of reserve upon exercise of options	5,620	–	(5,620)	–	–	–	–
Release of exchange reserve upon disposal of subsidiaries	–	–	–	–	11,342	–	11,342
2006/2007 Final and Special dividends paid	–	–	–	–	–	(151,263)	(151,263)
2007/2008 Interim dividend paid	–	–	–	–	–	(41,309)	(41,309)
2007/2008 Special dividend paid	–	–	–	–	–	(41,309)	(41,309)
	22,021	–	(1,979)	–	11,342	(233,881)	(202,497)
At 31 March 2008	**645,101**	**11,783**	**16,875**	**3,364**	**144**	**293,332**	**970,599**
Representing:							
Reserves							763,651
Proposed dividends							206,948
At 31 March 2008							**970,599**

27 Reserves (continued)

(a) Group (continued)

	Share premium HK$'000	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Building revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2006	731,906	11,783	22,733	–	(25,549)	38,243	779,116
Profit for the year	–	–	–	–	–	221,793	221,793
Fair value gain on buildings, net of tax	–	–	–	3,763	–	–	3,763
Exchange differences recognised directly in equity	–	–	–	–	3,329	–	3,329
Total recognised income for the year ended 31 March 2007	–	–	–	3,763	3,329	221,793	228,885
Employee share option scheme:							
Value of employee services	–	–	5,481	–	–	–	5,481
Shares issued upon exercise of options (Note 26(a))	30,251	–	–	–	–	–	30,251
Transfer of reserve upon exercise of options	9,360	–	(9,360)	–	–	–	–
2005/2006 Final and Special dividends paid	(148,437)	–	–	–	–	–	(148,437)
2006/2007 Interim dividend paid	–	–	–	–	–	(40,784)	(40,784)
2006/2007 Special dividend paid	–	–	–	–	–	(40,784)	(40,784)
	(108,826)	–	(3,879)	–	–	(81,568)	(194,273)
At 31 March 2007	623,080	11,783	18,854	3,763	(22,220)	178,468	813,728
Representing:							
Reserves							662,899
Proposed dividends							150,829
At 31 March 2007							813,728

27 Reserves (continued)

(b) Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2007	623,080	11,783	18,854	134,188	787,905
Profit for the year	–	–	–	171,841	171,841
Employee share option scheme:					
Value of employee services	–	–	3,641	–	3,641
Shares issued upon exercise of options (Note 26(a))	16,401	–	–	–	16,401
Transfer of reserve upon exercise of options	5,620	–	(5,620)	–	–
2006/2007 Final and Special dividends paid	–	–	–	(151,263)	(151,263)
2007/2008 Interim dividend paid	–	–	–	(41,309)	(41,309)
2007/2008 Special dividend paid	–	–	–	(41,309)	(41,309)
	22,021	–	(1,979)	(233,881)	(213,839)
At 31 March 2008	**645,101**	**11,783**	**16,875**	**72,148**	**745,907**
Representing:					
Reserves					538,959
Proposed dividends					206,948
At 31 March 2008					**745,907**

27 Reserves (continued)

(b) Company (continued)

	Share premium HK$'000	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2006	731,906	11,783	22,733	7,290	773,712
Profit for the year	–	–	–	208,466	208,466
Employee share option scheme:					
Value of employee services	–	–	5,481	–	5,481
Shares issued upon exercise of options (Note 26(a))	30,251	–	–	–	30,251
Transfer of reserve upon exercise of options	9,360	–	(9,360)	–	–
2005/2006 Final and Special dividends paid	(148,437)	–	–	–	(148,437)
2006/2007 Interim dividend paid	–	–	–	(40,784)	(40,784)
2006/2007 Special dividend paid	–	–	–	(40,784)	(40,784)
	(108,826)	–	(3,879)	(81,568)	(194,273)
At 31 March 2007	623,080	11,783	18,854	134,188	787,905
Representing:					
Reserves					637,076
Proposed dividends					150,829
At 31 March 2007					787,905

(c) At 31 March 2008, the Company had a distributable reserve of approximately HK$717,249,000 (2007: HK$757,268,000).

28 Notes to the consolidated cash flow statement

(a) Cash generated from operations

	2008 HK$'000	2007 HK$'000
Profit for the year		
– Continuing operations	**276,253**	220,527
– Discontinued operations	**71,960**	1,266
	348,213	221,793
Adjustments for:		
– Income tax expense	**72,117**	49,711
– Depreciation of property, plant and equipment	**74,655**	77,426
– Amortisation of leasehold land	**796**	428
– Gain on disposal of property, plant and equipment	**(86)**	–
– Write-off of property, plant and equipment	**1,686**	1,682
– Fair value gains on forward foreign exchange contracts	**–**	(262)
– Share-based payment	**3,641**	5,481
– Interest income	**(26,601)**	(24,216)
– Fair value changes on investment property	**(2,900)**	(2,600)
– Reversal of impairment losses on leasehold land	**–**	(12,092)
– Gain on disposal of subsidiaries	**(67,034)**	–
Changes in working capital	**404,487**	317,351
– Inventories	**(91,346)**	(24,210)
– Trade receivables	**(4,565)**	(8,733)
– Other receivables, deposits and prepayments	**(37,542)**	(16,026)
– Trade and bills payable	**58,341**	(21,715)
– Other payables and accrued charges	**48,763**	2,577
– Receipts in advance	**14,474**	15,914
– Retirement benefit obligations	**(514)**	(94)
Cash generated from operations	**392,098**	265,064

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

	2008 HK$'000	2007 HK$'000
Net book amount (Note 15)	**441**	416
Gain on disposal of property, plant and equipment	**86**	–
Proceeds from disposal of property, plant and equipment	**527**	416

28 Notes to the consolidated cash flow statement (continued)

(b) Disposal of subsidiaries

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

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

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

	2008 HK$'000
Cash and cash equivalents disposed of (Note 14)	(153,046)
Expenses incurred in disposal of subsidiaries	(388)
Cash consideration received	20,000
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(133,434)

29 Commitments – Group

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

	2008 HK$'000	2007 HK$'000
Contracted but not provided for	**8,302**	3,900
Authorised but not contracted for	**63,291**	71,153
	71,593	75,053

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

(b) Commitments under operating leases

As at 31 March 2008, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2008 HK$'000	2007 HK$'000
Land and buildings		
Within one year	**312,452**	265,297
In the second to fifth year inclusive	**299,090**	255,862
After the fifth year	**–**	447
	611,542	521,606

30 Related party transactions

Key management personnel compensation:

	2008 HK$'000	2007 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**29,084**	26,359
Retirement benefit costs	**1,500**	1,480
Share-based payment	**3,600**	3,954
	34,184	31,793

31 Principal subsidiaries

Particulars of the principal subsidiaries at 31 March 2008:

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

31 Principal subsidiaries (continued)

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

Note: 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 2008, its paid up capital was HK$50,000,000.