30th Anniversary

漂亮綻放

Sasa

making life beautiful

Annual Report 2007/08

Sa Sa International Holdings Limited

Stock Code: 178

contents

corporate profile

Sa Sa International Holdings Limited ("Sa Sa" or "Group/Company") is a leading cosmetics retailing group in Asia. Listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") in 1997 (Stock Code: 178), the Sa Sa Group employs over 2,300 staff in six markets across the region, covering Hong Kong, Macau, Mainland China, Taiwan, Singapore and Malaysia. Its vision is to become the dominant cosmetics retailing group in Asia.

Sa Sa is now the largest cosmetics retail chain in Asia and one of the top five retail groups in Hong Kong, according to the "Retail Asia-Pacific Top 500" ranking of Retail Asia magazine, KPMG and Euromonitor in 2007. As one of the major sole agents in cosmetics in Hong Kong, Sa Sa also represents over 100 international beauty brands in Asia. Established in 1978, Sa Sa has grown from a 40 sq. ft. retail space to become a regional beauty products retail enterprise in Asia. Its renowned brand strength in Asia is built on innovative cosmetics retailing at best value in one-stop stores filled with leading international brands. The strength of the Sa Sa brand is reflected in the increasing number of awards the Group has gained both in Hong Kong and internationally.

Sa Sa has differentiated itself through the creation of an integrated "beauty" platform that covers two distinct business areas:

Retail – The Group sells over 400 brands, covering 15,000 skin care, fragrance, make-up, hair care and body care products, and health supplements including own-brands and exclusive products. Its extensive regional retail network currently comprises of over 110 Sa Sa Cosmetics stores, including one 8,000 sq. ft. mega store in Hong Kong, as well as a La Colline specialty store, an Elizabeth Arden counter and twelve Suisse Programme counters. Over eleven million transactions are made in its stores annually. Our e-commerce platform, Sasa.com, offers round-the-clock online shopping services along with comprehensive product and corporate information. It now serves customers from over 80 countries.

Brand Management – In addition to selling its own-brand products, the Group also operates as the sole agent for many international cosmetic brands in Asia. Sa Sa has been appointed by a leading global prestige brand, Elizabeth Arden, as its sole agent in Hong Kong and Macau since October 2002. The Group currently manages over 100 exclusive international beauty brands with services that include brand building, marketing, sales and distribution. This business accounts for over 36 per cent of Sa Sa's total retail turnover.

corporate information

Board of Directors

Executive Directors

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

Non-executive Director

Mrs. LEE LOOK, Ngan Kwan, Christina

Independent Non-executive Directors

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

Qualified Accountant

Mr. LOOK, Guy

Company Secretary

Ms. HO, Sze Nga, Maggie

Head Office

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

Registered Office

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

Auditors

PricewaterhouseCoopers
Certified Public Accountants

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P. O. Box 705
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

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

Listing Information

Listing	: The Stock Exchange of Hong Kong Limited
Stock code	: 178
Ticker symbol	
Bloomberg	: 178HK
Reuters	: 178.HK
Board lot size	: 2,000 shares

Investor Relations

E-mail address: ir@sasa.com

Website

Corporate information: www.sasa.com/corporate

financial and operation highlights

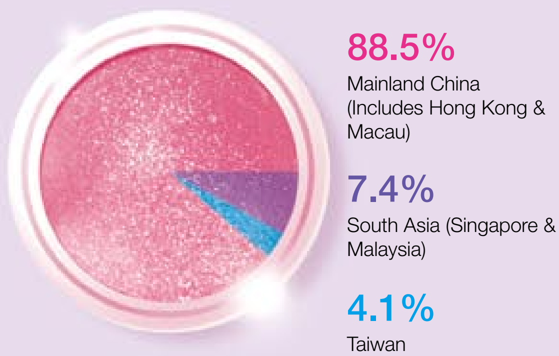
Financial Summary	2007/2008	2006/2007
Group turnover (HK$ million)	3,453.1	2,889.2
Group profit attributable to equity holders (HK$ million)	348.2	221.8
Group earnings per share – basic (HK cents)	25.3#	16.4
Total annual dividend per share (HK cents)	21.0^	17.0*
Retail & Wholesale Business		
Turnover (HK$ million)	3,221.4	2,676.8
Operating profit (HK$ million)	322.7	247.5
Profit attributable to equity holders (HK$ million)	276.3	220.5
Net cash & bank balances (HK$ million)	651.6	644.9
Inventory turnover (days)	94	90

 # Excluding gain on the disposal of beauty services business, Group earnings per share (basic) were 20.5 HK cents
^ Included 13.0 HK cents special dividend
** Included 9.0 HK cents special dividend*

Turnover – Retail & Wholesale Business

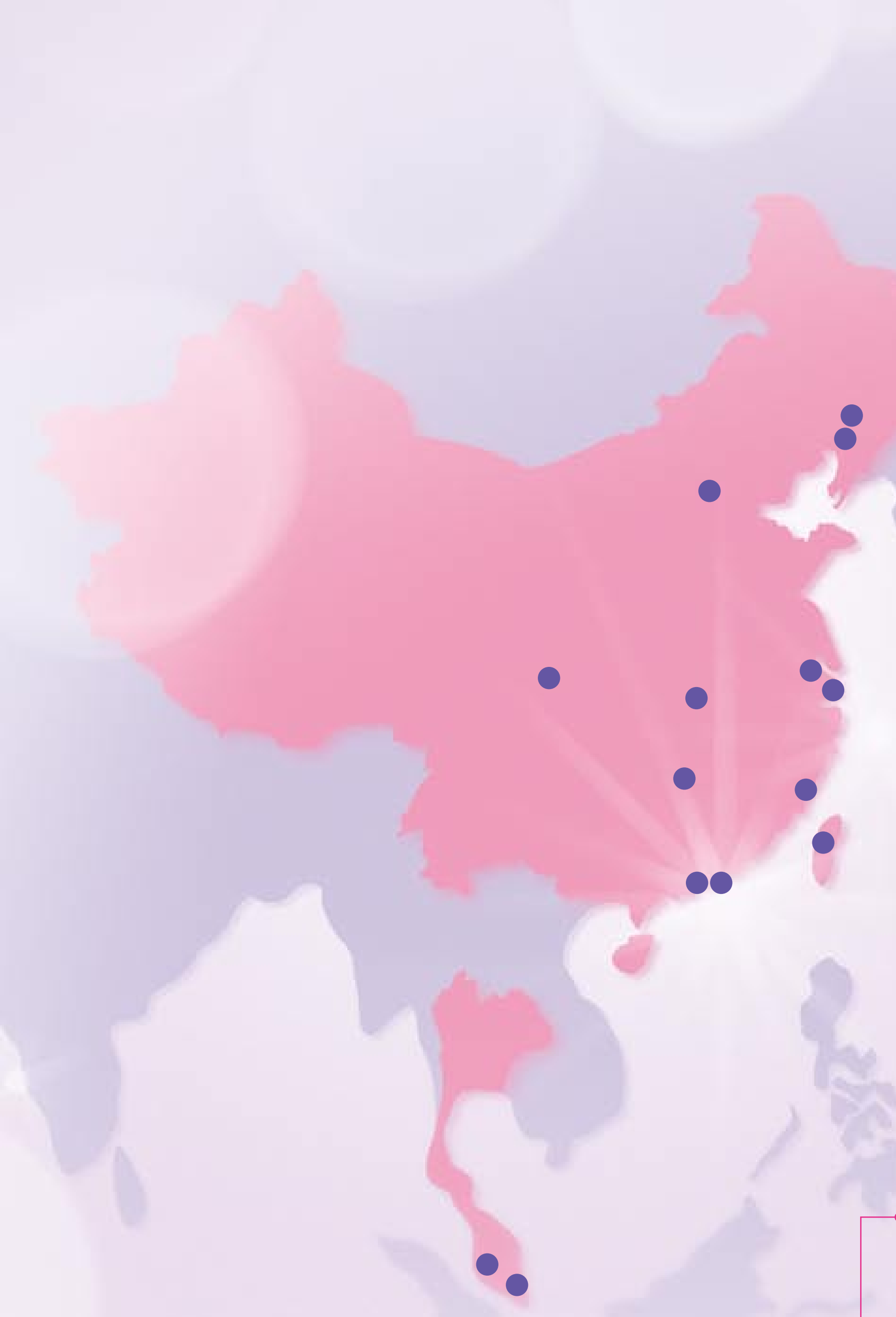
▲ *CAGR = Compound annual growth rate*

Turnover by Region – Retail & Wholesale Business



Total : HK$ 3,221.4 million

Retail Turnover Contributed by Brand Management Business



Group Retail Network in Asia

No. of Retail Outlets

	Sa Sa Stores	Image Store / Counters
Hong Kong & Macau	58	2
Mainland China	4	12
Taiwan	14	-
Singapore	13	-
Malaysia	21	-
Total	**110**	**14**

City	Sa Sa Stores	Counters
Beijing	-	1
Shanghai	4	1
Anshan	-	1
Changsha	-	1
Chengdu	-	3
Shenyang	-	2
Wenzhou	-	1
Wuhan	-	1
Wuxi	-	1
Total	**4**	**12**

As at 31 March 2008


making life beautiful
Rose
sasa
Rose
sasa
sasa
sasa


Rose
Rose
toner
sasa
Rainbow
Enriched with Vitamin E
Soft & Smooth
Lip Gloss
sasa
Flawless
Light Diffusing
Perfect Blend
Liquid Foundation
SPF15 PA++
sasa
cosmetics

awards and recognition

Retail Branding

Sa Sa is the **largest cosmetics retail chain in Asia** and one of the **top five retail groups in Hong Kong**, according to the "Retail Asia-Pacific Top 500" rankings of Retail Asia Magazine, KPMG and Euromonitor in 2007.

Sa Sa is presented with the **Retail Chain category award** in the 2007 High Flyers of Hong Kong Business magazine for the fourth consecutive year.

Sa Sa is ranked first among all Hong Kong brands in the **Consumers' Most Favorable Hong Kong Brands** and is one of the top 20 brands among the **Most Favorable Enterprise with Good Credibility** in the Most Favourable Brands of the Nation 2008 campaign organised by Hong Kong Association of Chinese Travel Organisers, Hong Kong Polytechnic University and a number of professional bodies.

Sa Sa is accredited the **Hong Kong Q-Mark** by the Hong Kong Q-Mark Council under the auspices of the Federation of Hong Kong Industries for the third consecutive year in 2008. The Q-Mark is a sign of quality excellence.

Corporate Branding

Sa Sa receives the **"Judging Panel – Grand Prize" for the Personal Care section** in the **The Hong Kong Corporate Branding Award 2007** jointly organised by Ming Pao and the Department of Marketing of the Chinese University of Hong Kong.

Sa Sa receives the **The Best Brand Enterprise Award** in the "The Best Brand Enterprise Award" organised by Hong Kong Productivity Council for the second consecutive year in 2007.

Chairman & CEO, Mr. Simon Kwok, receives the **Owner-Operator Award** at the **DHL/SCMP Hong Kong Business Awards 2007**.

awards and recognition

Service Excellence

Sa Sa is awarded **Hong Kong Premier Service Brand** among only four awardees in the "Hong Kong Top Service Brand Awards" organised by Hong Kong Brand Development Council and The Chinese Manufacturers' Association of Hong Kong in 2007.

A Sa Sa beauty consultant and a store supervisor receive the **2007 Service and Courtesy Award – Junior Frontline Level & Supervisory Level under the Beauty Products / Cosmetics Category** organised by Hong Kong Retail Management Association.

La Colline shop is awarded the **Service Category Leader of the Beauty Products / Cosmetics Category** for the third successive year in the Mystery Shoppers Programme 2007 organised by Hong Kong Retail Management Association.

In Eastweek magazine's **Hong Kong Service Awards 2008**, saluting merchants that contribute to the local economy and standard of living, Sa Sa receives the **Free Walkers' Choice** award for the second consecutive year.

Five Sa Sa colleagues who represented Sa Sa in the 40th **Distinguished Salesperson Award** organised by Hong Kong Management Association receive the award.

Popularity Among Tourists

As the top transaction merchant, Sa Sa is awarded **Top Transaction Merchant for Visa Preferred Merchants Tourists Offers 2007 and Top Transaction Merchant for Experience Macau** with Visa 2007 in the Visa Preferred Merchants Program 2007 (HK/Macau).

Sa Sa is named as the **Most Popular Cosmetics Specialty Store** among the "Top Ten Hong Kong Shopping Spots" in the Top Hong Kong & Shenzhen Retail Chart 2007 jointly organised by China Unionpay, Industrial and Commercial Bank of China and Shenzhen Retail Business Association. Sa Sa also receives **The Most Sought-after Retail Brand** award.

Corporate Social Responsibility

Prime Magazine grants Sa Sa the **Prime Award for Corporate Social Responsibility** for two consecutive years in 2006 and 2007, recognising our good corporate citizenship and contributions to society.

Sa Sa is awarded the **Caring Company** title for 2006-2008 by the Hong Kong Council of Social Service.

milestones

1978

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

1990

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

1992

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

1997

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

1998

- Opening of the first store in Malaysia.

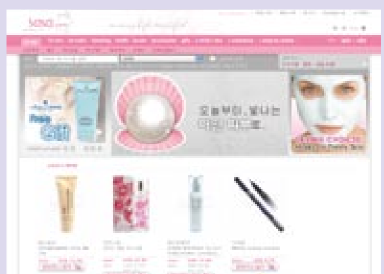
2000

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

- Sa Sa acquires a major stake in Phillip Wain, a leader in premium ladies’ beauty and health clubs in Asia.
- Opening of the Group’s 50th store in Asia.
- Launch of Sasa.com offers customers round-the-clock on-line shopping of beauty products.

2001

- Launch of Korean language site at Sasa.com strengthens the Group’s penetration of the Korean market, one of the biggest e-commerce markets in Asia.



2002

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

2003

- 25th anniversary of the Sa Sa International Group.

2004

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

2005

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

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

2006

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

2007

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

2008

- 30th anniversary of Sa Sa International Group.

30th Anniversary
漂亮綻放
sasa
making life beautiful

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

CYBER COLORS
THE SKINCARE
CYBER COLORS
THE SKINCARE
CYBER COLORS
THE SKINCARE
THE SKINCARE
BRIGHTENSE
Firm & White
Eye Gel
CYBER COLORS
CYBER COLORS
THE SKINCARE
BRIGHTENSE
Firm & White
Day Cream SPF15
THE SKINCARE
BRIGHTENSE
Firm & White
Night Cream


beauty always and forever
CYBER COLORS
CYBER COLORS

Sa Sa will continue to build its foothold in the core Hong Kong and Macau market, and grow in both its overseas markets and in Mainland China.

Simon Kwok
Chairman & CEO

I am pleased to say that the fiscal year 2007/08 produced good results for the Sa Sa Group. Increased consumer spending by Mainland tourists and local residents, together with the balanced-growth strategy, contributed to higher turnover growth in Hong Kong and Macau. Our strategic initiative to increase our gross profit margin on the back of an enhanced product mix made further progress and offset rising rental costs, which in turn helped to support the improved performance of the Hong Kong and Macau market. At the same time our performance in the Mainland market improved, especially towards the end of the year, and our Malaysia and online businesses recorded strong full-year results. Circumstances held us back in Singapore and Taiwan, but even here we have laid the foundations to improve our performance in the coming years. Significant progress was made in developing our brand management business. We also disposed of our beauty services operations in order to focus more of our resources on our core retail and brand management businesses. Excluding the beauty services business and the profit from its disposal, Group turnover rose 20.3% to HK$3,221.4 million while Group profit increased by 25.3% to HK$276.3 million.

In addition to the interim dividend of 3.0 HK cents and a special dividend of 3.0 HK cents per share, the Board of Directors proposed a final dividend of 5.0 HK cents per share and a special dividend 10.0 HK cents per share, payable on 2 September 2008 to those persons registered as shareholders as of 28 August 2008, making a total dividend of 21.0 HK cents per share for the fiscal year.

Across the region, the Group's reputation continued to grow and the Sa Sa brand was once again the recipient of widespread industry recognition. Sa Sa was named the largest cosmetics retail chain in Asia and one of the top five retail groups in Hong Kong in the rankings of Retail Asia magazine, KPMG and Euromonitor in 2007. The Group received the Judging Panel – Grand Prize of the Personal Care section in The Hong Kong Corporate Branding Awards 2007 jointly organised by Ming Pao and the Department of Marketing of the Chinese University of Hong Kong. Sa Sa was also designated Hong Kong Premier Service Brand among only four awardees in the Hong Kong Top Service Brand Awards organised by Hong Kong Brand Development Council and The Chinese

Manufacturers' Association of Hong Kong. These and the many other awards we gained during the year are an ongoing testimony to the success of our brand building strategy and to our leading reputation in cosmetics retailing in the region.

We maintain our belief that brand management will be an important driver for Sa Sa's future growth. During the year, we continued to expand our brands under management portfolio through the addition of new product lines, the expansion of the product range, and by developing Sa Sa's own branded products. We are currently building the product development team and strengthening the brand management team to provide further support to the development of our own-brands while allocating more resources to their marketing. In addition, we have reinforced our management resources with the appointment of a specialist senior executive who will help the Group to achieve faster and more concrete progress in this area, which in turn will help to support Sa Sa's performance in the Mainland market.

There is no doubt that Mainland China continues to be of considerable strategic significance to Sa Sa's growth potential. While ensuring that the performance of the Mainland market is carefully managed, the Group has begun the process of speeding up the opening of single-brand counters in department stores. The first of the initial batch of five stores which were scheduled to open in Beijing in the first half of fiscal year 2008/09, began operations in New Oriental Plaza on 19 April 2008. In addition to these stores, the Group will continue to look for new store locations in cities beyond Shanghai and Beijing. Further to our focus on exclusive brands, we will continue to optimise results from the product portfolio through various measures including enhanced marketing and training.

In Hong Kong and Macau, we will leverage on the steady performance of the local economy and growing tourism to strengthen our retail network and marketing initiatives. Building on our success in broadening our customer base, the Group will focus its efforts on making further market penetration. We

are confident that we will continue to increase gross profit through determined efforts to optimise our product portfolio and by making further improvements in operational performance.

In the growing Malaysian market, the Group will pursue its expansion plans by adding more stores. In Singapore, we have already laid the groundwork for improved performance with a new management team and we will seek to enhance our product offering in accordance with the new regulations. In Taiwan, we are closely monitoring the market situation with a view to creating an appropriate expansion strategy.

By leveraging the strong competitive advantage and brand name of Sa Sa in the region, Sa Sa will continue to build its foothold in the core Hong Kong and Macau market, and to grow in both its overseas markets and in Mainland China. Although the Mainland market will be the Group's focus in the coming years due to its huge potential and high growth, the Group will continue to seek further development by monitoring the market situation in various Asian markets.

I would like to take this opportunity to thank all our employees for their resourcefulness, commitment and energy in continuing to support Sa Sa's position as one of the most respected and well known brands in Asia. I would also like to express my thanks to all our shareholders for their loyal support and for participating in our ongoing mission and strategic vision. As Sa Sa International Group moves forward to meet the future with plans in varying stages of completion, I am sure that we will repay the trust of both our employees and shareholders with increased shareholder value in the coming years.

Simon Kwok
Chairman and Chief Executive Officer
Hong Kong, 25 June 2008


a passion for beauty
Méthode SWIS
BEAUTY CARE
CELL GENTLE CLEANSER
NETTOYANT CELLULAIRE DOUX
Méthode SWISS
BEAUTY CARE
ULTRA EYE GEL
GEL YEUX ULTRA
Méthode S
BEAUTY CA
CELL NUTRITIVE NIGHT
SOIN CELLULAIRE NOURRIS


Méthode SWISS
BEAUTY CARE
CELL GENTLE
CLEANSING MILK
LAIT CELLULAIRE
NETTOYANT DOUX
Méthode SWISS
BEAUTY CARE
CELL ACTIVE
TONER
TONER
CELLULAIRE ACTIF
Méthode SWISS
BEAUTY CARE
ULTRA
REVITAL SERUM
SERUM
ULTRA REVITALISANT
Méthode SWISS
BEAUTY CARE
CELL RENEWAL DAY CREAM
CREME CELLULAIRE RENOUVELANTE DE JOUR

management discussion and analysis

For the year ended 31 March 2008, the Group's consolidated turnover amounted to HK$3,453.1 million, representing an increase of 19.5% from HK$2,889.2 million last year. There was an increase in turnover in all markets and business units. The Group's consolidated profit attributable to equity holders of the Company was HK$348.2 million, a rise of 57.0% over the HK$221.8 million recorded last fiscal year. Excluding the discontinued business of beauty services and profit from its disposal, the Group's consolidated turnover of continuing operations increased 20.3% to HK$3,221.4 million and consolidated profit increased 25.3% to HK$276.3 million. Basic earnings per share from the Group's continuing operations and discontinued operations were 20.1 HK cents and 5.2 HK cents respectively, as compared to 16.4 HK cents in total in the previous fiscal year.

Retail & Wholesale Business

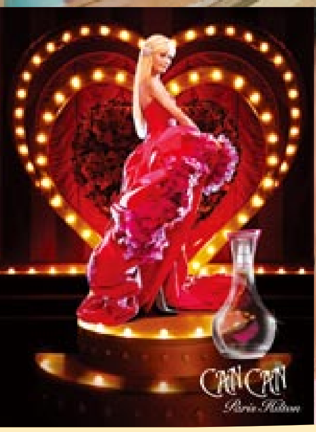
During the fiscal year 2007/08 the Group's retail and wholesale business saw growth in turnover of 20.3%, reaching HK$3,221.4 million as compared to HK$2,676.8 million last year. The overall gross profit margin of our retail and wholesale business increased 0.6% to 43.1% from 42.5% due to the continuous improvement in our product mix. Our inventory turnover days were 94 days as at 31 March 2008. Overall, as at the end of the fiscal year, the Group operated 124 retail outlets including stores and beauty counters in six markets in Asia, as well as a portal offering a global online shopping service.

Hong Kong and Macau

Sa Sa continues to maintain its market leading position in Hong Kong and Macau, despite intense competition. Spending by increasing numbers of tourists from Mainland China as well as local residents drove a turnover growth of 18.8% over last fiscal year. The strong turnover growth was mainly led by our strategy of rebalancing sales growth and margin growth. We broadened the customer base by giving each market segment more attention rather than focusing narrowly on particular market segments. This resulted in a 17.9% increase in the number of transactions. Same store sales saw growth of 12.8%.

Due to continuous improvement in our product portfolio, the gross profit margin of our retail and wholesale business in Hong Kong and Macau rose to 43.1% from the 42.3% recorded last fiscal year. Although the issue of rental costs remains a major challenge for the Hong Kong and Macau market, the increase in turnover and enhanced gross profit margin helped offset the impact from the rise in rental costs. In addition, consolidation of the store network including store relocation continued to be a part of the Group's strategy for optimising the effectiveness of the store network, as well as effectively increasing our competitiveness.

Sa Sa further strengthened its retail branding by continuously focusing on sponsorship activities such as Miss Hong Kong Pageant 2007 and Ladies' Purse Day, one of the most popular and high-profile racing days in Hong Kong. Five new stores were added and four were relocated during the year. As at 31 March 2008, there were 58 Sa Sa stores (including five in Macau), one La Colline specialty store and one Elizabeth Arden counter in Hong Kong and Macau.



Mainland China

During the year under review, the Group made slow but steady progress in the Mainland market. Although this market is still at the investment stage, we believe that we are beginning to master the operations while expanding on the distribution network. We have tried to build depth into our product offerings by adding distribution channels to the existing product portfolio and focusing on the products of selected brands. We also strengthened our partnership with local suppliers to increase the range of our product offerings. During the year, we speeded up the pace of department store openings for Suisse Programme.

In 2007/08, we devoted intensive efforts to strengthen the management as well as the support functions of our business and to facilitate the expansion of a more extensive retail network into cities beyond Shanghai. Meanwhile, we consolidated our store network in Shanghai to further improve our performance, and six new counters were added in the second half of the fiscal year. As at 31 March 2008, we operated four Sa Sa stores and 12 beauty counters under Suisse Programme in the Mainland market.

Singapore and Malaysia

Our core business strategy for the Singapore and Malaysia market continues to focus on gaining market share through increased sales and enhancing our network to provide improved service to Sa Sa's customers and beauty brands. During the year, turnover for the overall Singapore and Malaysia market grew by 28.7% to HK$238.9 million and same store sales growth was up 13.4%. A small profit was recorded. Overall, there was an improvement in the contribution of Singapore and Malaysia to the Group's results.

management discussion and analysis

However, our performance in Singapore was impacted by the adjustment in our product portfolio required to comply with the new ASEAN Directive for cosmetics introduced in 2008. Singapore's robust employment market also caused high staff turnover and made the improvements in the management team more difficult. The total number of stores remained at 13 as of 31 March 2008.

Malaysia registered a good performance, increasing profitability as well as its contribution to the Group's results. This improved performance was the result of widespread market acceptance from suppliers and consumers led by more effective marketing activities. Our positioning and marketing initiatives in this market were strengthened by leveraging on the enhanced product offerings that were adjusted to comply with the ASEAN Directive for cosmetics introduced in Malaysia a few years ago. During the year, seven new stores were added, bringing the total number of stores for Malaysia to 21 as of 31 March 2008.

Taiwan

Turnover in the Group's Taiwan business increased 9.2% during the fiscal year to HK$131.1 million. A small loss was recorded. This was mainly the result of weak consumption sentiment in this market and of political and economic uncertainties in the run-up to the presidential election in March 2008. Meanwhile, we strengthened our retail branding image by increased marketing and public relations activities. These included hosting a fragrance festival, which underlined Sa Sa's position as the number one channel for fragrances and helped to increase our market share. The Group added three new stores to its portfolio, bringing the total store number for Taiwan to 14 as at 31 March 2008.

E-commerce – Sasa.com

Turnover for Sasa.com amounted to HK$92.6 million, an increase of 63.4% over the previous fiscal year. A small profit was recorded. Market growth in most markets was achieved through further expansion of the product range, increased marketing activities in various markets and improvements in the payment methods. We continued with the upgrading of the e-commerce platform to facilitate browsing traffic and improve the conversion of traffic to sales. The number of unique visitors reached more than 600,000 per month, a rise of 42.9% over the previous year. The significant growth rate of 54.0% in repeat customers sales and 64.0% in VIP sales reflected our success in turning our international customers into loyal customers.

Brand Management

Brand management refers to the management of own-brands and international brands for which Sa Sa acts as sole agent/distributor in terms of brand building, marketing, sales and distribution.

Sales of own-brand and exclusively distributed products increased by 25.5% and contributed to 36.2% of the Group's total retail sales (34.8% last year), a rise of 1.4% over the previous fiscal year. The Group made intensive efforts to broaden and diversify the product range, enhancing the exclusive brand portfolio by introducing more upcoming and popular international beauty brands. New brands secured for exclusive distributorship during the year included Collistar from Italy, Nuxe, Caudalie and Annayake from France, and A'kin from Australia. We also added Dr.G, the most popular Korean cosmeceutical brand, to our exclusive brand portfolio, further demonstrating the Group's ability to introduce trend-setting products.

Emphasis was also placed on product development of Sa Sa's own-brands. This included the introduction of more new products and the expansion of the product range. We strengthened marketing promotions of our exclusive products by appointing celebrities as image persons, and through more frequent new product launches and increased promotional activities. Our renewed focus on enhancing our management resources in brand management and marketing included the appointment of a senior executive to specialise in the brand management and product development of our own-brands, with particular attention to the Mainland market.

Beauty Services

In order to concentrate more of our resources on strengthening our retail and brand management businesses, and to drive further expansion in new markets, the Group completed the disposal of the beauty services business on 31 March 2008. On completion, a non-recurring profit of HK$67.0 million was booked to the Group.



management discussion and analysis

OUTLOOK

Brand Management

Sa Sa is one of the major sole agents in the beauty trade in Hong Kong, representing more than 100 international brands. As we move forward with our initiatives to build a solid foundation for the Group's future expansion, brand management will play an increasingly important role as a major driver of our turnover growth and network expansion. We will continue to strengthen our brand and product portfolio, introducing more upcoming and popular international beauty brands, and we will further develop the emerging brands we secured in 2007/08 in order to increase their market penetration. At the same time, we will expand the product range of our own-brands portfolio including the "Sasa" brand and enhance our product development function.

Further initiatives to enhance the effectiveness of our brand and product portfolio will include strengthening the partnership with our suppliers, developing our management resources, improving our strategic planning and execution in terms of efficiency and effectiveness, and intensifying the depth and scale of our marketing activities.

Retail and Wholesale Business

Our overall objective in our core retail and wholesale business is to increase market share in all markets. We will continue with our strategic and prudent approach towards network expansion with the aim of optimising our performance in each market while closely monitoring local market circumstances. We will place a strong emphasis on same store growth across the region by improving our operational efficiency. In addition, we will continue to aim at gradually increasing the gross profit margin each year in order to improve profitability and address increasing cost pressures. As we continue to build our image as cosmetics specialty store, we will focus continuous efforts on strengthening our product portfolio by building strong relationships of mutual benefit with local suppliers in all markets to serve our increasingly demanding and diversified customer base. We are beginning to see initial results of these efforts.

Hong Kong and Macau

Hong Kong and Macau will remain our core market, providing solid and steady contributions to the Group and supporting its expansion into new markets. With our strong foundation and competitive advantages in this market, the Group will aim for improved productivity and performance. In terms of network expansion, rather then simply adding more stores in Hong Kong and Macau, our objective is to improve the efficiency and productivity of the overall network. Sa Sa will continue to adopt a disciplined approach towards managing rental pressures in Hong Kong, and will therefore consider store relocation as an option to control rental costs upon lease renewal. In order to

achieve balanced growth, we will continue to target growth in both the tourism and domestic sectors, which will be reflected in various strategic measures.

Mainland China

In contrast to the maturity and concentration of the Hong Kong and Macau market, the Mainland market is vast and fragmented with hugely differing levels of demand and affordability. The Group will continue to adopt a differentiated approach to this market by focusing on a two-pronged expansion strategy; firstly, focusing on multi-brand Sa Sa stores, with the first batch of five stores in Beijing being launched in the first half of fiscal year 2008/09; secondly, establishing single-brand beauty counters/stores under exclusive brands. For example, we have already set up beauty counters under our exclusive brand, Suisse Programme, in department stores in eight Mainland cities. 29 counters are planned for fiscal year 2008/09, of which seven counters have already been secured in the cities of Hangzhou, Wuhan, Guiyang, Chongqing and so on.

Overall, we aim to more than double the existing number of outlets in the Mainland, setting up about 39 outlets by end of the next fiscal year. In regard to network expansion, instead of setting up all outlets ourselves, we are seeking local distributors to help establish single-brand counters/stores under our exclusive brands. We are enhancing our management resources by appointing a new senior executive in brand management and product development of our own-brands with strong experience in the Mainland market.

In addition, we will focus increased resources on improving product development and speeding up the product registration process in the Mainland. We have formed a dedicated team responsible for the establishment of beauty counters/stores under exclusive brands as well as their brand management, thereby increasing both awareness and penetration of these brands in the Mainland. Our sales performance in recent months has reflected these changes. We will devote even more efforts to the marketing of our exclusive brands in Mainland China in order to increase their brand awareness.

Singapore, Malaysia and Taiwan

Riding on the strong growth momentum in Malaysia, the Group will pursue its expansion plans in this market by adding more stores. In Singapore, we are confident that when the new management team settles down and we complete the enhancement of our product offering, the performance of the Singapore market will gradually improve. We will also closely monitor the market situation and the economic environment of Taiwan, and in due course craft an appropriate expansion strategy to tap the potential of the Taiwan market.

Going Forward

With the steady growth provided by the strong foundation of the Hong Kong and Macau market, Sa Sa will continue to build its foothold and to grow in both its overseas markets and in the Mainland. By leveraging the strong competitive advantage and brand name of Sa Sa in the region, the Group will prudently monitor the market situation in Asia and seek further development accordingly.

SUISSE
PROGRAMME
HYDRA FRESH
FRAICHEUR
HYDRATANTE
SUISSE
PROGRAMME
HYDRATING SOLUTION CREAM
CREME SOLUTION HYDRATANTE
SUISSE
PROGRAMME
HYDRA SOLUTION MASK
MASQUE SOLUTION HYDRATANTE


simple sparkling beauty
SUISSE
PROGRAMME
HYDRATING
CONCENTRATE
CONCENTRE
HYDRATANT
SUISSE
PROGRAMME

corporate social responsibility

As one of Asia's leading companies with a well-recognised brand name and profile, Sa Sa is committed to the sustainable development of the communities in which we operate and to the integration of environmental, ethical and social principles into our business decisions. To this end, we have undertaken many social and environmental initiatives, enhancing the well-being and sustainable development both of our Company and of the broader community in which our customers live and work.

Caring for the Community

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

Sa Sa has long participated in the activities of the Community Chest and Po Leung Kuk of Hong Kong. In 2007/08, we donated to their various fund-raising programmes including "Celebrities Sing for the Chest" and "Community for the Chest" charity shows, as well as those under Po Leung Kuk such as Child Sponsorship Programme, fund-raising TV show, the establishment of the HKU Space-Po Leung Kuk Community College, the Po Leung Kuk Playground and its Children Services Building renovation projects.

Other beneficiaries in cash or kind included ORBIS, Caritas, the Hong Kong AIDS Foundation, the Hong Kong Federation of Women, the Senior Citizen Home Safety Association, the Boys' & Girls' Club Association of Hong Kong, the Children's Heart Foundation, Lifeline Express, the Hong Kong Girl Guides' Association, the Hans Andersen Club and so on.

Encouraging Employee Participation

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

As ever, our senior management continued to lead the way by "walking the talk". Chairman & CEO Mr. Simon Kwok was appointed Co-Chairman of the 2007/2008 Community for the Chest Organising Committee, and Chairman of the 2007/08 Community for the Chest TV Show Organising Committee. Our Vice-Chairman, Mrs. Eleanor Kwok, was appointed as Director in the Board of Directors 2007-08 of Po Leung Kuk. Various Sa Sa senior executives also joined Mr. Simon Kwok in speaking at seminars and forums during the year to share their experiences with industry practitioners and students. Organisations that they supported as speakers included Quality Tourism Services Association, the Open University of Hong Kong, The Chinese Manufacturers' Association of Hong Kong, Hong Kong Productivity Council and Hong Kong Logistics Development Council.

2007/08 was also a year in which we continued to mobilise staff participation in charity and social activities of all kinds. For example, Sa Sa volunteers paid home visits to elderly people under the "Po Leung Kuk Elderly Visit Programme" and made visits to the Hong Kong Society for the Deaf and a day care centre for the mentally retarded of Heaven of Hope Christian Service. Sa Sa trainers also conducted a series of make-up, body care and hair styling courses for the senior volunteers of Po Leung Kuk as part of our "Making Life Beautiful" Beauty Ambassador Training Programme.

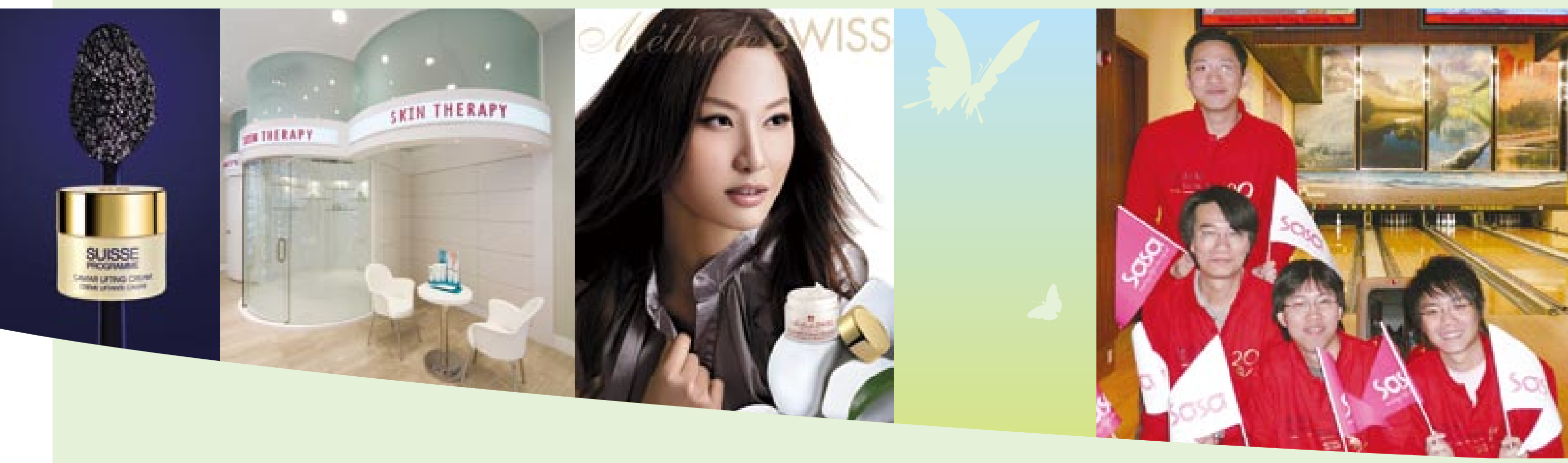
corporate social responsibility

A team of staff and their families participated in the Walk for Millions to raise funds for the Community Chest. Other caring initiatives by our staff included Dress Special Day and Skip Lunch Day of the Community Chest, as well as the "Qile" Cake Charity Sale of Heaven of Hope Christian Service, the Moon Cake Charity Sale, and the Chinese Lunar Year Festive Food Charity Sale of Po Leung Kuk.

Supporting Social Development in China

Sa Sa's support for the community and the society in which we operate extends beyond the confines of Hong Kong to the motherland as a whole. During the year, Sa Sa raised funds for the China AIDS Initiative (CAI) for HIV/AIDS projects of CAI in the Mainland.

In response to the tragic earthquake in Sichuan province in May 2008, the Company made strenuous efforts to contribute funds for the victims. The total amount raised by Sa Sa Group, together with the personal donations of Mr. and Mrs. Simon Kwok, was over HK$2.5 million, and was passed to World Vision, the Salvation Army, the Red Cross, the HKSAR Government, UNICEF and Oxfam as relief funds. Activities included a charity sale of "Sasa" products, fund-raising from staff in the region, as well as placing donation boxes in all Hong Kong and Macau shops to assist fund-raising from the public. Also, an emergency relief allowance was granted to the affected staff in Sichuan.



Working for a Better Environment

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

In 2007/08 we reduced paper consumption by some 20%, and plastic bag consumption by 14%. Since December 2007, Sa Sa participated in "No Plastic Bag Day" campaign in Hong Kong on a weekly instead of a monthly basis, with proceeds being donated to Oxfam Hong Kong and Greeners Action to support environmental protection activities.

Other energy-saving initiatives included the recycling of waste paper, automatic switching off of the lighting and air conditioning in our main offices at non-peak times, further reductions in electricity and water consumption, the recycling of toner cartridges and ink-jet bottles, the recycling of carton box and packaging materials in our warehouse and logistics centre, and computer recycling through the Hong Kong Caritas Computer Recycle Project.

Recognition

Our contributions in the area of community and environmental concern were widely recognised in a series of awards throughout the year. Prime Magazine granted Sa Sa its "Prime Award for Corporate Social Responsibility 2007". We continued to be awarded the "Caring Company" recognition by the Hong Kong Council of Social Service and received the "President's Award" for the contributions Sa Sa made to the Community Chest for 2006/07.

people development

The greatest asset of Sa Sa is our people. Our uniqueness, competitive advantage and continuing success in today's global marketplace stem from the talents of our people. We are committed to each other and we will continue to develop our position as an "Employer of Choice" by being recognised for our positive working environment, our competitive total reward package and our reputation for supporting success.

As at 31 March 2008, the Group had a total of 2,380 employees. Staff costs for the year under review were HK$566.2 million. To ensure the Group is able to attract and retain employees with good performance, we place significant emphasis on building an engaged workforce and creating a caring and supportive workforce environment.

An Engaged Workforce

Our employees are not only motivated, but they also understand the Group's business goals and the ways in which they can contribute to achieving those goals. Information related to the Group's business direction and strategies is conveyed to our employees via various channels. Employees are also encouraged to contribute their ideas through our "Work Improvement Programme" and brain-storming sessions. We value employee feedback and involvement.

During the year, we revamped our performance management system to foster high-performance work and workforce engagement. An alignment mechanism and a competency-based model were built into our performance review and incentive system, enabling our employees' performance to be aligned with the company goals.

We encourage excellence by providing the best possible career opportunities, reward and recognition. We review our remuneration packages on a regular basis and performance bonus and share options were offered to qualified employees. Our commitment to pay for performance continued to ensure that a competitive total reward package is available to existing high performing and prospective employees.

To maintain our competitiveness and ensure that future people requirements will be met, we continue our Management Trainee Programme. This 18-month programme is designed to develop our up-and-coming leaders through structured job rotations

and project assignments. Our Management Trainees receive accelerated training and development, as well as frequent opportunities to meet with senior management, thereby encouraging our talented people to progress quickly and fulfill their potential.

A Supportive Working Environment

We promote equality of opportunity, a culture of mutual respect and a caring and supportive working environment for all employees. We are committed to the implementation of fair employment practices to support equality of opportunity. We create a work environment in which differences are respected and in which people are valued as individuals. Meanwhile, appropriate guidelines and advisory support are provided to line managers in the application of grievance and disciplinary procedures.

We recognise the promotion of the health and wellbeing of employees is a key factor in supporting work-life balance. During the year, we organised a series of training programmes and seminars to encourage good health practices. We also launched a number of people programmes including the Annual Dinner, Fun Day, Christmas party, boat cruises, barbecues and gatherings to give our people opportunities to interact outside work. We believe that our dedication to workforce engagement not only helps strengthen mutual trust, commitment and productivity, but also builds a more resilient company.

Training and Development

Excellence of training and career development lies at the heart of the high quality of products and service that Sa Sa offers. During the year, the Group provided a total of 5.8 man-days of training per staff on average. To match with new products launches, we established a series of tailor-made product knowledge trainings for frontline staff. In addition, a sales enhancement programme by a professional service management consultancy was launched in all markets to upgrade service and selling skills.

During the year, we continued with our 150-hour Junior Beautician Trainee training programme for new staff, provided more field coaching for staff in order to assist the transfer of knowledge and skills, and arranged attitude training for frontline and office staff to motivate them to be more positive and pro-active so as to maintain work-life balance. Other initiatives included breakfast meetings, whose purpose was to strengthen teamwork at shops, to enhance communication between management and shops, and to nourish the caring culture of the Company through senior management participation.

In terms of staff development, we launched Leadership Management Skills training for potential and newly promoted shop supervisors, strengthened the mentor programme for the increasing number of new staff at Sa Sa shops, and established a Train-the-Trainer programme for coaching new leaders at shops.

Industry Recognition

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

frequently-asked questions

What are Sa Sa's main strengths?

We have built a great brand that everyone knows, and we have an unmatched range of products for our huge, loyal and region-wide customer base. Our relationship with our vendors is excellent, our sales professionals give quality service, and we have a long-established network of more than 120 retail outlets in prime Asian locations, along with an e-commerce platform offering global on-line shopping service.

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

How does Sa Sa manage to sell quality products at such attractive promotion offers?

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

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

- **A Strong Training Team**

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

- **Intensive Training**

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

- **Knowledge of the Markets and Customers**

  The cosmetics retail industry changes very rapidly, always catching up with new trends and the evolving needs of customers. Therefore, our staff must be updated frequently. In addition, our sales staff act as personal consultants to customers for their beauty needs. They require an in-depth knowledge of both products and customer requirements in order to provide tailor-made beauty advice.

- **Building Loyalty**

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

- **Gaining Recognition**

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

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

- Sa Sa's **one-stop cosmetics specialty stores** in the Mainland offer more than 200 professional and quality brands, both international and domestic, covering a broad price range targeted at a diversified customer base. The stores provide an alternative distribution channel for beauty products to the department stores.

- **Product selections tailored to Chinese**
  - Sa Sa has more than 30 years of experience in cosmetics retail in Asia and today 95% of its customers are Chinese, of which 40% are from the Mainland.
  - Sa Sa utilises its understanding of the skin care and beauty needs of Asians, in particular, Chinese, in the product selection for its stores in Mainland China.

- **Focus on professional and quality international brands**
  - Sa Sa selects professional skin care and beauty products that are suitable to Asians, in particular Chinese, from around the world.

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

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

financial review

Capital Resources and Liquidity

As at 31 March 2008, the Group's total equity funds were HK$1,108.5 million including reserves of HK$970.6 million. The Group continued to maintain a strong financial position with cash and bank balances of HK$651.6 million. The Group's working capital was HK$895.7 million. Based on the Group's steady cash inflow from operations and coupled with its existing cash and bank facilities, the Group has adequate financial resources to fund its future expansion.

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

Financial Position

Total funds employed (representing total equity) as at 31 March 2008 were HK$1,108.5 million, which represented a 16.6% increase over the total funds employed of HK$950.6 million as at 31 March 2007.

The gearing ratio, defined as the ratio of total loans less cash and bank balances to total assets, was nil as at 31 March 2008 and 31 March 2007.

Treasury Policies

It is the Group's treasury management policy not to engage in any highly leveraged or speculative derivative products. In this respect, the Group continued to adopt a conservative approach to financial risk management with no significant borrowing during the year. Most of the assets, receipts and payments of the Group are denominated either in Hong Kong or U.S. dollars. From 1 April 2006, due to the volatility of the foreign exchange market and the potential downside exposure arising from the forward foreign exchange contracts, the Group minimised its non U.S. dollar foreign exchange exposure by way of hedging against order at spot and maintaining no long position. These hedging policies are regularly reviewed by the Group.

Charge on Group Asset

As at 31 March 2008, no Group asset was under charge to a financial institution.

Contingent Liabilities

The Group had no significant contingent liability as at 31 March 2008.

Capital Commitments

As at 31 March 2008, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK$71.6 million.


beauty is fun
JAGUAR
PRESTIGE


GUESS
by Marciano
TOUS
ESSENCE OF
WOMAN
UNITED COLORS
OF BENETTON.
FERRE
ROSE
PURE
POLICE

biographical details of directors and senior management

CFO & Executive Director
Guy Look

Chairman & CEO
Simon Kwok

Vice-Chairman
Eleanor Kwok

Chief Operating Officer
Wilson Chu

The greatest asset of Sa Sa is our people.

Executive Directors

Mr. KWOK, Siu Ming, Simon ∆, J.P.

Chairman and Chief Executive Officer

Aged 55. Mr. Kwok together with his wife, Mrs. Kwok, Law Kwai Chun, Eleanor, has run Sa Sa's operations since the early days and successfully listed the Company on the Stock Exchange of Hong Kong in June 1997 with the share offering more than 500 times oversubscribed. Over the past 30 years, Mr. Kwok has played a leading role in transforming the Company into a leading market player with a regional network of operations in Asia. Mr. Kwok is currently a Committee Member of the Chinese People's Political Consultative Conference of Hubei Province, the Honorary President of the Cosmetic & Perfumery Association of Hong Kong and Federation of Beauty Industry (HK), the Founding Honorary Chairman and the Vice President of the Executive Committee of the Professional Validation Centre of Hong Kong Business Sector, a Governing Council Member (Retailer Category) of the Quality Tourism Services Association, a Founding Member of the Hong Kong Professionals and Senior Executives Association, and the Life President of the Hong Kong Brands Protection Alliance. He is also a Trustee of New Asia College, The Chinese University of Hong Kong, a voting member of The University of Hong Kong Foundation, a member of the University Court of Hong Kong University of Science and Technology, and a founding life member and 2007 Board Member of the Hong Kong Polytechnic University Development Foundation. Mr. Kwok was the Winner of the "Owner-Operator Award" at the DHL/SCMP Hong Kong Business Awards 2007 and was one of the four Hong Kong/Macau winners and winner in the Retail Category in the "Ernst & Young Entrepreneur of the Year Awards China 2006". He received an Honorary Doctoral Degree from the Sinte Gleska University of California.

Mr. Kwok is an active participant in the work of charities. He is an Honorary Advisor and Organising Committee Member of the 2007 Fund-Raising Initiative of The Hong Kong Committee for the China AIDS Initiative, an Executive Board Member of the 2007/08 Hong Kong AIDS Foundation, the President of the 2006/07 Hong Kong Oriental Lions Club, the Chairman of 2007/08 Community for the Chest Organising Committee and a Co-Chairman of 2007/08 Community for the Chest Campaign Committee.

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

Mrs. KWOK, Law Kwai Chun, Eleanor § ∆

Vice-Chairman

Aged 54. A founder of the Group and a member of the Executive, Compensation and Nomination committees. Mrs. Kwok has more than 32 years' experience in the sales and marketing of beauty products. With extensive professional knowledge and many years of experience in cosmetics retailing, she pioneered the unique operational concept of open-shelf display of products, making shopping a more enjoyable experience. Mrs. Kwok plays a leading role in the marketing, operations, human resources and staff training functions of the Group. She is currently the Honorary President of the Cosmetic & Perfumery Association of Hong Kong, the Honorary President of The Hong Kong Federation of Women ("HKFW") and a member of The HKFW Entrepreneurs Committee. Mrs. Kwok won the "Outstanding Women Entrepreneurs Award" of the Hong Kong Women Professionals & Entrepreneurs Association in 2008, and received a "World Outstanding Chinese" award from the World Outstanding Chinese Association and World Chinese Business Investment Foundation. She was conferred an Honorary Doctorate of Management by Morrison University, USA, and an Honorary Fellowship by the Professional Validation Centre of Hong Kong Business Sector.

Mrs. Kwok is actively involved in charity activities. She is a director in the Board of Directors 2006-08 for Po Leung Kuk, the Honorary Vice-President of the Hong Kong Girl Guides Association 2006-08, and a patron of 2007 Caritas Fund Raising Campaign.

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

* A member of the Audit Committee
§ A member of the Compensation Committee
∆ A member of the Executive Committee
A member of the Nomination Committee

biographical details of directors and senior management

Mr. LOOK, Guy $^{\Delta}$

Chief Financial Officer and Executive Director

Aged 51. Mr. Look is Chief Financial Officer ("CFO") and Executive Director. Mr. Look is also the qualified accountant of the Group and a director of certain subsidiaries of the Group. Mr. Look has over 26 years of experience in local and overseas financial and general management. Prior to joining Sa Sa in March 2002, he was the CFO and an Executive Director of TOM Group Ltd. He holds a Bachelor's degree in Commerce from the University of Birmingham, England and is an associate member of the Institute of Chartered Accountants in England and Wales. He is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Look is a member of the Statistics Advisory Board of the Hong Kong Government, and an executive committee member of the Hong Kong Retail Management Association. He is also a Member of the Departmental Advisory Committee for the Department of Management Sciences of the City University of Hong Kong.

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

Non-executive Directors

Professor CHAN, Yuk Shee *, J.P.

Independent Non-Executive Director

Aged 54. Appointed as an Independent Non-Executive Director and Chairman of the Audit Committee of the Group since November 1999. Professor Chan is currently the President of the Lingnan University of Hong Kong. Previously, he had served as Vice President for Academic Affairs of the Hong Kong University of Science and Technology. He obtained a Ph D in Finance, as well as an MBA and MA in Economics from the University of California at Berkeley. He is the Chairman of the Advisory Committee on Social Work Training and Manpower Planning, and a member of the Public Service Commission and the Process Review Panel for the Securities and Futures Commission. Details of his interest in the shares and underlying shares in the Group are set out in "Report of the Directors".

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

Independent Non-Executive Director

Aged 61. Appointed as an Independent Non-Executive Director of the Group in December 2006. Ms. Ki has more than 31 years' experience in integrated communication and marketing services. She was the founder, partner and Chairman/Chief Executive Officer of Grey Hong Kong Advertising Limited and Grey China Advertising Limited. Ms. Ki is Managing Director of New World China Enterprises Projects Limited since 1997 and a Director of Kunming New World First Bus Services Limited. She is also an Independent Non-Executive Director of Clear Media. Ms. Ki is committed to the community and public services. She was the Chief Executive of The Better Hong Kong Foundation. She is currently a council member of UNICEF, a life member of the Children's Cancer Foundation, a court and council member of Lingnan University, a member of the Asian Advisory Board of Cheng Yu Tung Management Institute, Richard Ivey School of Business (University of Western Ontario, Canada), a member of the Sports Commission of Hong Kong and a CPPCC member of Yunnan Province.

Mrs. LEE, Look Ngan Kwan, Christina

Non-Executive Director

Aged 84. Appointed as an Independent Non-Executive Director of the Group in May 1997 and re-designated as Non-Executive Director in June 2004. Mrs. Lee is the widow of the founder of Television Broadcasts Limited, Mr. Lee Hsiao-Wo. Mrs. Lee has been a director of Television Broadcasts Limited since 1981 and is actively involved in Caritas, Hong Kong, a local charitable organisation. Mrs. Lee is the aunt of Mr. Guy Look. Details of her interest in the shares and underlying shares in the Company are set out in "Report of the Directors".

Dr. LEUNG, Kwok Fai, Thomas * § #, J.P.

Independent Non-Executive Director

Aged 59. Appointed as an Independent Non-Executive Director of the Group in January 2000 and is the Chairman of the Compensation Committee for the Group. Dr. Leung has over 25 years' experience in management consultancy and is an expert in organisation and human resources development. Dr. Leung holds a Ph D in Business Administration from the University of Illinois. He has been appointed to significant positions in many public organisations and committees by the Hong Kong Government and was formerly Chief Executive – Asia for Hay Group, one of the world's leading management consulting firms.

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

Independent Non-Executive Director

Aged 62. Appointed as an Independent Non-Executive Director of the Group in June 2004 and the Chairman of the Nomination Committee of the Group. Ms. Tam was educated at London University. She qualified as a barrister-at-law at Gray's Inn, London, and practised in Hong Kong. She was a member of the Preparatory Committee for the Hong Kong Special Administrative Region (PRC) and Hong Kong Affairs Advisor (PRC). She is a member of the Task Group on Constitutional Development of the Commission on Strategic Development and a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption. She is a deputy to the National People's Congress of The People's Republic of China and a member of the Hong Kong Basic Law Committee. She is also a member of various community services organisations. Details of her interest in the shares and underlying shares in the Company are set out in "Report of the Directors".

Senior Management

Mr. CHU, Bun, Wilson

Chief Operating Officer

Aged 52. As the Group's Chief Operating Officer ("COO"), Mr. Chu is responsible for overseeing the entire cosmetics retail business of the Group in the Hong Kong, Macau and Mainland China markets. He is also a director of a subsidiary of the Group. Mr. Chu has over 24 years of management experience in Hong Kong and Canada. He was with Sa Sa as COO from December 2003 to June 2006, and rejoined the Group in April 2007. Prior to this, Mr. Chu was the COO of SUNDAY Communications Limited, the President of adMart Limited, the Managing Director of the Body Shop's Hong Kong and Macau operations, an Executive Director of Giordano International Limited and Director/COO of Tiger Enterprises Limited (Giordano's joint venture in China). Mr. Chu holds a Bachelor's degree in Economics from the University of Western Ontario, Canada and an MBA from York University, Canada. He is a member of the Hong Kong Institute of Certified Public Accountants and the Canadian Institute of Chartered Accountants. Mr. Chu is the Vice-President of the Cosmetic & Perfumery Association of Hong Kong for 2007-09.

Mr. LAW, Kin Ming, Peter

Senior Vice President, Category Management & Product Development

Aged 52. Joined the Group in January 1996 and was appointed Senior Vice President, Category Management & Product Development in January 2008. Mr. Law has more than 26 years' experience in the field of sales and marketing, 17 of which were in senior management positions. He is also a director of a subsidiary of the Group. Mr. Law oversees the Group's category management and product development function. He is also responsible for the Group's acquisition of exclusive distribution rights of international brands and the development of own-brand products. He holds a Bachelor's degree in Arts majoring in Communications Studies from the University of Windsor, Ontario, Canada and pursued a Bachelor's degree in Commerce later. Mr. Law is a brother of Mrs. Kwok, Law Kwai Chun, Eleanor.

biographical details of directors and senior management

Ms. LU, Szu-Jen

Senior Vice President, Information Technology

Aged 51. Joined Sa Sa as Senior Vice President of Information Technology in December 2004. Ms. Lu has over 25 years' experience in information technology project management. Before joining Sa Sa, she was the Business Manager of EDS Hong Kong, one of the world's leading information technology services providers and management consultancies. Prior to that, she was the Chief Technology Officer of Softbank Investment International (Strategic) Limited. Ms. Lu holds a Master of Science in Computer Science from The Johns Hopkins University, Maryland, USA.

Ms. CHAN, Sau Wai, Jessica

Vice President / General Manager of Singapore

Aged 37. As Vice President / General Manager of Singapore, Ms. Chan is responsible for overseeing the retail business of the Group in Singapore. She is also a director of a subsidiary of the Group. Ms. Chan has over 13 years of experience in financial and general management. Prior to joining Sa Sa in January 2008, she was the CEO of the Malaysia operations and the Project Director of a listed company in Singapore. Ms. Chan is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Malaysia Institute of Accountants.

Ms. HO, Sze Nga, Maggie

General Counsel and Company Secretary

Aged 34. As General Counsel and Company Secretary, Ms. Ho is responsible for providing legal advice and support to the Group's businesses and commercial activities. Prior to joining Sa Sa in January 2004, she was the legal counsel for a group of listed companies and the company secretary of Dong Fang Gas Holdings Limited (renamed Pacific Century Premium Developments Limited), whose shares are also listed on the Main Board of The Stock Exchange of Hong Kong Limited. She is experienced in handling a wide range of corporate and commercial transactions and related company secretarial matters. Ms. Ho was admitted as a solicitor of the High Court of Hong Kong and Supreme Court of England and Wales.

Ms. HUANG, Yueh Pao, Sheena

Vice President / General Manager of Taiwan

Aged 46. Joined Sa Sa in October 2003. Ms. Huang now is Vice President / General Manager of Taiwan and oversees the entire Sa Sa operation in Taiwan. Ms. Huang has over 18 years of management experience with a focus in finance and accounting. Ms. Huang was formerly the Financial Controller of Esprit Retail (Taiwan) Ltd. / Red Earth (Taiwan) Ltd. for 10 years, overseeing accounting, finance, office administration and IT functions. She obtained a Bachelor's degree of Business Administration in Accounting from Fu Jen Catholic University in Taiwan.

Ms. HUI, Kwok Kwan, Carmen

Group Financial Controller / Vice President, Finance & Accounting

Aged 41. Joined Sa Sa as Group Financial Controller / Vice President, Finance & Accounting in July 2004. Ms. Hui is responsible for the finance and accounting functions of the Group and its subsidiaries. She has over 19 years of extensive experience in the finance and accounting field. Before joining the Group, Ms. Hui was the General Manager of Finance of TOM Group Ltd. Ms. Hui is a fellow member of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants.

Ms. LAW, Mei Yee, Judy

Vice President, Category Management & Product Development

Aged 52. Joining the Group in February 2008, Ms. Law was appointed as Vice President, Category Management & Product Development. She is mainly responsible for overseeing the development and management of the Group's own-brands. Ms. Law has over 25 years of experience in product development in the cosmetics industry and brand management of beauty brands including Darphin and Elizabeth Arden. Prior to joining Sa Sa, Ms. Law worked with the Beauty Group as the General Manager of Ingrid Millet, Shimmer and Bioscreen. Ms. Law holds a Certificate in Marketing from the Seneca College, Canada.

Mr. LEE, Man Chun, Jacky

Vice President / General Manager of Eastern China

Aged 43. Joined Sa Sa in July 2007 as Vice President / General Manager of Eastern China. He is responsible for overseeing the Group's overall business in Eastern China. Mr. Lee was the Divisional General Manager of L'Oreal HK Ltd. and the General Manager of a French cosmetics group in the Asia Pacific region. Mr. Lee holds a Bachelor's degree in Science from the University of Hong Kong and a Diplome Grandes Ecoles (equivalent to MBA) from Ecole de Management Lyon in France.

Ms. LOI, Wei Sin, Corina

Vice President / General Manager of Malaysia

Aged 48. Joined Sa Sa in October 1997 and was appointed Vice President / General Manager of Malaysia in January 2001. She is also a director of a subsidiary of the Group. Ms. Loi was a crucial member of the start-up team for the Malaysian operation. Ms. Loi has over 25 years of marketing and retail experience ranging from health food products to high fashion. Prior to joining Sa Sa, she was with Dickson Trading (Malaysia).

Ms. LUNG, Man Wai, Agnes

Vice President, Marketing

Aged 35. Joined Sa Sa in July 2007 as Vice President – Marketing. Ms. Lung is in charge of the overall marketing function of the Group. She has over 13 years of marketing and brand management experience in the cosmetics and retail industries and worked for various multinational cosmetics companies like L'Oreal Ltd., Shiseido and LVMH group, as well as multinational retailers such as Duty Free Shopper Group Limited (DFS). Ms. Lung holds a Bachelor's degree in Business Administration majoring in Marketing from University of Technology, Sydney, Australia.

Ms. NG, Foong Yeng, Celine

Vice President, Operations – Hong Kong & Macau

Aged 41. Joined the Group as Vice President, Operations – Hong Kong & Macau in June 2006. Ms. Ng is responsible for overseeing the sales operations of retail business in Hong Kong and Macau. Ms. Ng has over 18 years of experience in retail management in North Asia mainly Taiwan, Korea, Hong Kong and Singapore. Prior to joining Sa Sa, she was the Regional Retail Manager of Fossil International (Asia Pacific) HK Pte Ltd., Regional Retail Manager (N. Asia) of The Body Shop International (Asia Pacific) Pte Ltd. based in Singapore and Regional Sales and Operation Manager of Cozzi International Ltd., a subsidiary of Fairton Group. Ms. Ng holds a Diploma in Strategic Marketing from the University of Hull and a Diploma in Retail Management from the University of Stirling, UK.

Mr. TANG, Wing Kei, Joe

Vice President, Inventory Planning & Control

Aged 46. As Vice President of Inventory Planning & Control, Mr. Tang is responsible for inventory management of the Group. He has more than 23 years' working experience, of which 15 years were in the retail sector. He was with Sa Sa as Vice President of Sales Operations & Administration from January 2002 to May 2004. Before re-joining Sa Sa in November 2006, Mr. Tang was the Operations Controller of GOME Home Appliance (HK) Ltd. He was also the General Manager of Toys "R" Us and Dickson Cyber Concepts in Hong Kong. He holds an MBA degree from the University of Hull, UK.

Ms. SHEK, Mei Ling, Gemini

Director, Human Resources

Aged 37. As Director, Human Resources of the Group, Ms. Shek is responsible for the management and development of the Group's human resources function throughout the region. Ms. Shek has over 10 years of experience in human resources management. She was with Sa Sa as Human Resources Manager from September 2004 to April 2007. Before re-joining the Group in January 2008, Ms. Shek was the Human Resources Manager of Deloitte Touche Tohmatsu. She was also the Human Resources Manager of Johnson Stokes & Master and the Human Resources & Administration Manager of Kroll Associates (Asia) Limited. Ms. Shek holds a Master's degree in Management from the Hong Kong Polytechnic University and a Bachelor's degree in Social Sciences from the University of Hong Kong.

Gearing Up from Corporate Responsibility to Good Governance

Corporate responsibility embraces ethical behavior, transparency, respect for diverse stockholder groups and a commitment to create economic, social and environmental values

Composition of the Board and various Board Committees

Audit Committee

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

Executive Committee

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

Board

1. **Mr. KWOK, Siu Ming, Simon**
   (Chairman and chief executive officer ("CEO"))
2. Mrs. KWOK LAW, Kwai Chun, Eleanor
   (Vice-chairman)
3. Mr. LOOK, Guy
   (Executive Director and chief financial officer ("CFO"))
4. Mrs. LEE LOOK, Ngan Kwan, Christina
   (Non-executive Director ("NED"))
5. Professor CHAN, Yuk Shee
   (Independent non-executive Director ("INED"))
6. Dr. LEUNG, Kwok Fai, Thomas *(INED)*
7. Ms. TAM, Wai Chu, Maria *(INED)*
8. Ms. KI, Man Fung, Leonie *(INED)*

Compensation Committee

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

Nomination Committee

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

Commitment in corporate governance

The Company is committed to good corporate governance principles and practices. The board ("Board") of directors ("Directors") appreciates that corporate responsibility initiatives can scale up their impact by linking to corporate governance frameworks and recognizes that it is essential to safeguard the interests of stockholders, customers and employees and uphold accountability, transparency and responsibility of the Company.

The Company has complied with the code provisions ("Code Provision(s)") in the Code on Corporate Governance Practices ("CG Code") set out in Appendix 14 of the Rules Governing Listing of Securities of The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 March 2008 except for deviation from the Code Provision A.2.1, particulars of which are set out below. With a view to monitoring and continuously improving its performance, the Company reviews its corporate governance practices from time to time and always aims to enhance its corporate governance practices to be in line with local and international practices.

A. Director

A.1. The Board

Principle

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

Code ref.	Code provisions	Compliance	Remarks
A.1.1	Board meetings should be held at least 4 times a year at approximately quarterly internals, involving active participation.	✓	The Board meets physically and regularly. Five Board meetings were held during the year ended 31 March 2008 and at least once quarterly. Summary of the Directors' Meeting attendance is set out in latter part of this section. The Directors attended the meetings in person or by telephone in accordance with the Company's articles of association ("Articles of Association"). The CEO and CFO of the Company were invited to attend certain Board committee meetings, and other senior management may from time to time be invited to attend Board meetings to make presentations or answer the Board's enquiries.
A.1.2	All directors should be given opportunity to include matters in the agenda for regular board meetings.	✓	Agendas for Board and Board committee meetings are sent to all Directors in advance and they are given opportunities with reasonable time to include relevant matters for discussion in the Board and Board committee meetings.
A.1.3	At least 14 days' notice should be given for regular board meetings.	✓	Timetable for regular Board meetings are scheduled well in advance to facilitate and maximize the attendance and participation of all Directors whilst reasonable notices are given for all other Board meetings.
A.1.4	Directors should have access to company secretary's advice and service.	✓	Directors have access to the advice and services of the company secretary of the Company ("Company Secretary") to ensure that Board procedures, and all applicable rules and regulations, are followed.

A. Director (continued)

A.1. The Board (continued)

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

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

A. Director (continued)

A.1. The Board (continued)

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

The Directors' attendance at the Board and Board committee meetings of the Company during the year ended 31 March 2008 is set out in the following table ("Meeting Attendance"):

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

Notes:

(1) Mrs. KWOK LAW, Kwai Chun, Eleanor and Mr. LOOK, Guy were absent for the meetings on 1 December 2007 and 22 January 2008 respectively.

(2) Mr. KWOK, Siu Ming, Simon and Mr. LOOK, Guy attended five audit committee meetings as invitees.

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

A. Director (continued)

A.2. Chairman and CEO

Principle

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

Code ref.	Code provisions	Compliance	Remarks
A.2.1	Roles of chairman and CEO should be separate, clearly established and set out in writing.	Please refer to remarks	*Considered reasons for deviation:–* Mr. KWOK, Siu Ming, Simon has been both the chairman and CEO of the Company whose responsibilities were clearly set out in writing and approved by the Board effective on 1 April 2005. Given the Group's current stage of development, the Board considers that vesting the roles of chairman and CEO in the same person facilitates the execution of the Group's business strategies and maximizes effectiveness of its operation. The Board shall nevertheless review the structure from time to time and it will consider the appropriate move to take should suitable circumstance arise.
A.2.2	Chairman should ensure directors are briefed on issues arising at board meetings.	✓	Pursuant to its terms of reference effective on 1 April 2005, the chairman shall ensure the Board address the major issues of the Company, and that these issues are presented in a manner which facilitates thorough discussion and the appropriate resolution and all Directors are properly briefed on issues arising at the Board meetings. He shall also ensure that Directors receive adequate information, which must be complete and reliable, in a timely manner.
A.2.3	Chairman should ensure directors receive timely and adequate information.		

A. Director (continued)

A.3. Board composition

Principle

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

Code ref.	Code provisions	Compliance	Remarks
A.3.1	Independent non-executive directors should be expressly identified as such in all communications disclosing its names.	✓	The INEDs are expressly identified in all corporate communications that disclose the names of the Directors. The Board currently comprises three executive Directors, namely Mr. KWOK, Siu Ming, Simon, Mrs. KWOK LAW, Kwai Chun, Eleanor and Mr. LOOK, Guy, and five NEDs in which four of them are INEDs, representing more than one-third of the Board. The INEDs are Professor CHAN, Yuk Shee, Dr. LEUNG, Kwok Fai, Thomas, Ms. TAM, Wai Chu, Maria and Ms. KI, Man Fung, Leonie who offer diversified expertise and serve to advise the Board and management on strategic development and provide checks and balances for safeguarding the interest of the shareholders and the Group as a whole. The Company has received an annual written confirmation from each of the INEDs that they have met all the independent guidelines set out in Rule 3.13 of the Listing Rules. Biographies with relevant relationships among members of the Board, if any, are shown on page 42 under the section "Biographical Details of Directors and Senior Management". Term of appointment of NEDs are shown on page 83 of the Report of the Directors.

A.4. Appointments, re-election and removal

Principle

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

Code ref.	Code provisions	Compliance	Remarks
A.4.1	Non-executive directors should be appointed for a specific term, subject to re-election.	✓	All the NEDs were appointed for a specific term, subject to re-election pursuant to the Articles of Association.

A. Director (continued)

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

Code ref.	Code provisions	Compliance	Remarks
A.4.2	All directors should be appointed to fill casual vacancy subject to election by shareholders at the first general meeting; every director should be subject to retirement by rotation at least once every 3 years.	✓	Relevant amendments to the Articles of Association were proposed by the Board and approved by shareholders of the Company at the annual general meeting ("AGM") held on 25 August 2005 that every Director shall be subject to retirement at least once every three years. Pursuant to Article 116 of the Articles of Association, Mr. KWOK, Siu Ming, Simon, Mrs. KWOK LAW, Kwai Chun, Eleanor and Mr. LOOK, Guy will retire by rotation at the AGM to be held on 28 August 2008 ("AGM 2008") and, being eligible, will offer themselves for re-election. Pursuant to the recommended best practice A.4.3 of the CG Code, the re-appointments of Professor CHAN, Yuk Shee and Dr. LEUNG, Kwok Fai, Thomas, who will serve as INEDs for more than nine years commencing from 1 November 2008 and 1 January 2009 respectively, shall also be subject to a separate resolution to be approved by shareholders in AGM 2008. Details are set out in (v) of the section "Beyond the Code Provisions" of this report.

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

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

The nomination committee is responsible for, inter alia:–

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

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

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

(iv) assessing the independence of INEDs; and

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

A. Director (continued)

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

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

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

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

(iii) the potential conflicts of interest and independence.

During the year ended 31 March 2008, the nomination committee, by written resolution, reviewed and considered the re-appointments of Mrs. LEE LOOK, Ngan Kwan, Christina as NED and Ms. TAM, Wai Chu, Maria as INED and chairman of the nomination committee and member of audit and compensation committee and their re-appointments were recommended to, and subsequently approved by, the Board.

A.5. Responsibilities of Directors

Principle

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

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

A. Director (continued)

A.5. Responsibilities of Directors (continued)

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

A. Director (continued)

A.6. Supply of and access to information

Principle

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

<table>
<tr><th>Code ref.</th><th>Code provisions</th><th>Compliance</th><th>Remarks</th></tr>
<tr><td>A.6.1</td><td>Agenda and board papers should be sent to directors at least 3 days before regular board meeting or committee meeting.</td><td>✓</td><td>In respect of regular Board meetings, and so far as practicable in all other cases, Board papers are dispatched to Board and Board committee members not less than 3 days or such other agreed period before Board or Board committee meetings.</td></tr>
<tr><td>A.6.2</td><td>Management should supply board and its committees with adequate information in timely manner. Each director should have separate and independent access to the issuer's senior management.</td><td>✓</td><td rowspan="2">The qualified accountant and Company Secretary attended all regular Board meetings so as to attend to issues and enquiries in respect of corporate governance, statutory compliance and accounting and financial matters.

Communication between the Directors and the senior management is a dynamic and interactive process. The qualified accountant and Company Secretary had also acted as coordinator and attended to the queries raised and clarification sought by the Directors as promptly and fully as possible and further supporting information and documents were provided to the Directors, as and when appropriate.

Board papers and minutes are made available for inspection by the Directors and Board committee members.</td></tr>
<tr><td>A.6.3</td><td>All directors are entitled to have access to board papers and related materials.</td><td>✓</td></tr>
</table>

B. Remuneration of Directors and senior management

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

Principle

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

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

B. Remuneration of Directors and senior management (continued)

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

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

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

During the year ended 31 March 2008, the compensation committee, among others, reviewed and considered the discretionary performance bonus of the Group and the terms and conditions in the service agreement of chief operating officer including his remuneration package. The above were recommended to, and subsequently approved by, the Board. The compensation committee held a meeting on 25 June 2007, in which all compensation committee members attended, particulars of the meetings were set out in the Meeting Schedule. The chairman and CEO was invited to attend the compensation committee meeting for consultation of the above matters.

Emolument policy and long-term incentive plan

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

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

Incentives are given in form of various kinds of bonus and an opportunity to participate in the Group's long-term success through its share option schemes adopted on 22 May 1997 and 29 August 2002 respectively ("Share Option Schemes"). Details of the Share Option Schemes are set out on page 76 of this annual report.

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

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

C. Accountability and audit

C.1. Financial Reporting

Principle

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

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

C. Accountability and audit (continued)

C.1. Financial Reporting (continued)

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

The Directors acknowledged their responsibility for preparation of financial statements which give a true and fair view of the Group's state of affairs of the results and cashflow for the year.

With the assistance of the accounts department which is under the supervision of the CFO, the Directors ensure the preparation of the financial statements of the Group is in accordance with statutory requirement and applicable accounting standards. In preparing the financial statements for the year ended 31 March 2008, the Directors have:

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

(ii) selected and applied consistently appropriate accounting policies;

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

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

The Independent Auditors' Report on pages 89 to 90 of this annual report has set out the reporting responsibilities of PricewaterhouseCoopers ("PwC"), the auditors of the Company.

The Board recognizes the importance of good corporate governance and transparency and its accountability to shareholders. It shall present a balanced, clear and understandable assessment in annual and interim reports, other price-sensitive announcements and other financial disclosures of the Group as required under the Listing Rules, and shall report to regulators as well as to disclose information pursuant to the relevant statutory requirements. The Company announces its annual and interim results well before the prescribed period of four months after the financial year and three months after the end of first six months of the financial year respectively as required by the Listing Rules.

C.2. Internal controls

Principle

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

Code ref.	Code provisions	Compliance	Remarks
C.2.1	Directors should at least annually review effectiveness of the system of internal control of the Group and state so in corporate governance report.	✓	Please refer to the section below.

C. Accountability and audit (continued)

C.2. Internal controls (continued)

Internal control and risk management

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

Internal control system

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

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

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

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

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

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

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

Internal audit function

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

During 2007, the Group has outsourced certain internal audit activities to an independent risk consulting firm which is not the auditor of any members of the Group ("Internal Control Consultants"). The Internal Control Consultants performed reviews of the Group's internal controls based on a risk-based annual audit plan approved by the audit committee.

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

C. Accountability and audit (continued)

C.2. Internal controls (continued)

Risk assessment

During the year ended 31 March 2008, the Internal Control Consultants facilitated a comprehensive risk assessment exercise for the Group which covered the Group's operations in the Hong Kong Special Administrative Region ("Hong Kong") of the People's Republic of China ("PRC"), the PRC, Taiwan, Singapore and Malaysia.

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

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

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

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

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

Internal control review

Internal control reviews were carried out in accordance with the risk-based audit plan and the specific requests by the audit committee and management. During the year ended 31 March 2008, the Internal Control Consultants have conducted reviews on major aspects of the Group's operations in Hong Kong, the PRC, Taiwan, Singapore, Malaysia and Thailand including the operations of the retail businesses, Phillip Wain and Sa Sa Beauty Plus.

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

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

In respect of the year ended 31 March 2008, the Board, through the audit committee, reviewed the effectiveness of the system of internal control of the Group and was satisfied that the Group had fully complied with the Code Provision on internal controls as set forth in the CG Code. The review covers all material controls, including financial, operational and compliance controls and risk management functions.

C. Accountability and audit (continued)

C.3. Audit committee

Principle

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

Code ref.	Code provisions	Compliance	Remarks
C.3.1	Minutes of audit committee meetings should be kept and sent to all members for comment and records within reasonable time.	✓	Pursuant to its terms of reference, minutes of audit committee meetings were kept and sent to all its committee members within reasonable time.
C.3.2	A former partner of the issuer's audit firm should not act as a member of the audit committee.	✓	All the current audit committee members are not former partner of the Company's existing auditing firm.
C.3.3	The terms of reference of audit committee should include terms set out pursuant to C.3.3 of the Code Provision in the CG Code.	✓	The terms of reference of the audit committee, which have included the role and authority delegated to it by the Board together with C.3.3 of the Code Provision, are available at the Group's website and on request.
C.3.4	Audit committee should make available its terms of reference.	✓	
C.3.5	In case of any disagreement between board and audit committee on selection, appointment, resignation or dismissal of external auditors, the issuer should state recommendation and reasons for difference in view in corporate governance report.	✓	The audit committee recommended, and the Board agreed, that the Company shall re-appoint PwC to be the Company's auditors and the recommendation will be put forward for the approval of shareholders at the AGM 2008.
C.3.6	Sufficient resources should be provided to the audit committee to discharge its duties.	✓	Pursuant to its terms of reference, the audit committee should be provided with sufficient resources, including advice of professional firms, to discharge its duties, if necessary.

C. Accountability and audit (continued)

C.3. Audit committee (continued)

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

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

There were five audit committee meetings held during the year ended 31 March 2008 and the chairman and CEO, CFO, other members of the senior management team and the external auditors of the Company were invited, as and when necessary, to join the discussion of the audit committee meetings. Particulars of the Board committee members' individual attendance and other details of the meetings were set out in the Meeting Attendance. The following is a summary of works performed by the audit committee during the year:

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

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

(iii) review of the Group's annual and interim results statements and the related result announcements and documents including the external auditors' reports and the letter of representation by the Company and other matters or issues raised by the external auditors;

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

(v) review of semi-annual summary of audit and non-audit services by external auditors;

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

(vii) review of the independence of the external auditors and engagement of external auditors for audit and audit related services;

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

(ix) review of the engagement of internal audit services by Internal Control Consultants including its scope, internal audit plan and fees;

(x) review of quarterly internal audit reports and update by the internal auditors and Internal Control Consultants respectively in respect of the Group's internal control system and procedures, its effectiveness and the regular updates on key risk areas of financial control and post audit review.

C. Accountability and audit (continued)

C.3. Audit committee (continued)

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

During the year ended 31 March 2008, no issues brought to the attention of senior management and the Board was of sufficient importance to require disclosure in the annual report under the Listing Rules.

During the year ended 31 March 2008, the fees paid to the Company's external auditors amounted to approximately HK$2,635,000, comprising the audit fees of HK$1,922,000 and non-audit fees of HK$713,000 respectively. The non-audit services consist mainly of tax advisory services, PRC review, tax and other advice on disposal of the Phillip Wain group.

For the purpose of achieving and maintaining high standards with regard to behaviour at work and in all its working practices, employee(s) may, in confidence, report serious concerns about malpractices or illegal acts that he/she become aware of pursuant to the whistle-blowing policy and procedure for the Group approved by the Board ("Whistle-blowing Policy"). The audit committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action pursuant to the Whistle-blowing Policy.

D. Delegation by the Board

D.1. Management functions

Principle

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

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

D. Delegation by the Board (continued)

D.1. Management functions (continued)

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

(i) set the objectives of the Board;

(ii) establish the strategic direction of the Company;

(iii) set the objectives of the management;

(iv) monitor the performance of the management;

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

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

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

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

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

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

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

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

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

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

D. Delegation by the Board (continued)

D.1. Management functions (continued)

Responsibilities of the management include those relating to:–

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

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

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

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

(v) develop and implement internal control procedures;

(vi) develop the Group's staff policy;

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

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

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

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

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

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

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

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

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

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

D. Delegation by the Board (continued)

D.1. Management functions (continued)

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

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

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

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

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

Executive committee

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

Management meetings

Executive committee and the management team meet regularly together to review, discuss and make decisions on financial and operational matters. During the year ended 31 March 2008, nine management meetings were held, and chaired by the chairman and CEO of the Company or delegate in his absence, which enhanced and strengthened departmental communications and co-operation within the Group.

D.2. Board committees

Principle

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

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

E. Communication with shareholders

E.1. Effective communication

Principle

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

Code ref.	Code provisions	Compliance	Remarks
E.1.1	A separate resolution at a general meeting on each substantially separate issue should be proposed by the chairman of that meeting.	✓	Separate resolutions are proposed at the AGM on each substantially separate issue, including election of individual Directors.
E.1.2	Chairman of the board should attend AGM and arrange for chairmen of audit, remuneration and nomination committees to attend and be available to answer questions.	✓	The chairman of the Board attended the AGM held on 23 August 2007 ("AGM 2007") and the chairmen or another member of the relevant committee were available to answer question at the AGM 2007. The Company establishes different communication channels with shareholders and investors, including (i) printed copies of corporate communication (including but not limited to annual report, interim report, notice of meeting, circular and proxy form) required under the Listing Rules, and shareholders can select to receive such documents by electronic means; (ii) updated and key information of the Group is available on the Group's website; (iii) the Company's website offers a communication channel between the Group and its shareholders and investors; (iv) the AGM also provides a forum for shareholders to raise comments and exchange views with the Board; (v) regular press and analysts' conference are set up from time to time; (vi) the Company's branch share registrar deals with shareholders for all share registration and related matters, and (vii) corporate communications department of the Company handles enquiries from shareholders and investors generally.

The last shareholders' meeting was the AGM 2007 which was held at the Island Shangri-la Hotel Hong Kong for approval of, among others, the general mandates to issue and purchase shares and the re-election of retiring directors. Particulars of major items considered in the AGM 2007 were set out in the circular of the Company dated 12 July 2007 ("Circular 2007"). The proposed resolutions by ordinary resolutions were passed by simple majority of the votes on show of hands in the AGM 2007.

Public float

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

E. Communication with shareholders (continued)

E.1. Effective communication (continued)

Investor relations

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

Date	Event	Organiser	Location
March 2008	Asian Investment Conference	Credit Suisse	Hong Kong
January 2008	HK/China Retail Access Day	CLSA	Hong Kong
January 2008	Greater China Conference	UBS AG	Shanghai
December 2007	Road show	BNP Paribas Securities	Singapore
November 2007	Road show	BNP Paribas Securities	Hong Kong
October 2007	Greater China Investor Conference	Citigroup Global Markets	Macau
September 2007	Road show	Bear Stearns	New York & San Francisco
September 2007	Asia Pacific & Emerging Markets Equities Conference	JP Morgan	New York
September 2007	Road show	CIBC	Toronto & Montreal
July 2007	China/Hong Kong Consumer Corporate Day	BNP Paribas Securities	Singapore
June 2007	Road show	Lehman Brothers	Hong Kong
May 2007	Investor luncheon	CIMB-GK	Hong Kong
April 2007	Consumer Corporate Day	Deutsche Bank	London

E. Communication with shareholders (continued)

E.2. Voting by poll

Principle

The issuer should regularly inform shareholders of the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the issuer.

Code ref.	Code provisions	Compliance	Remarks
E.2.1	Chairman of the meeting should disclose in circular procedures and rights to demand a poll.	✓	The procedures for demanding a poll by the shareholders were incorporated in the Circular 2007.
E.2.2	Chairman should count and indicate level of proxies lodged on each resolution, and the balance for and against the resolution.	✓	The chairman of the Board had duly performed the E.2.2 and E.2.3 of the Code Provisions in the AGM 2007. Tricor Abacus Limited, the branch share registrar of the Company, was appointed as scrutineers to monitor and count the votes cast in the AGM 2007.
E.2.3	Chairman should explain procedures for demanding and conducting a poll at the commencement of meeting.	✓	

Beyond the Code Provisions

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

(i) the Company has arranged appropriate liability insurance cover, which is reviewed on an annual basis, for liabilities arising out of activities from being Directors and officers of the Group;

(ii) the chairman of the Board has performed duties and responsibilities set out in A.2.4 and A.2.5 of the recommended best practices in the CG Code, including to ensure the Board works effectively and discharges its responsibilities, all key and appropriate issues are discussed by the Board in a timely manner etc., which were incorporated into the terms of reference for chairman effective on 1 April 2005;

(iii) the INEDs appointed represent more than one-third of the Board;

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

E. Communication with shareholders (continued)

E.2. Voting by poll (continued)

(v) Professor CHAN, Yuk Shee and Dr. LEUNG, Kwok Fai, Thomas had been appointed as INEDs since 1999 and 2000 respectively. Professor Chan's current three-year term of directorship commenced from 1 November 2005 to 31 October 2008 whilst Dr. Leung's current three-year term of directorship commenced from 1 January 2006 to 31 December 2008. The Board approved and offered to Professor Chan and Dr. Leung, following the recommendations of the nomination committee, and each of Professor Chan and Dr. Leung accepted to be re-appointed as INED for a further 3-year term commencing from 1 November 2008 to 31 October 2011 and 1 January 2009 to 31 December 2011 respectively. Pursuant to the provision A.4.3 of recommended best practices in the CG Code, the re-appointments of Professor Chan and Dr. Leung as INEDs, who shall serve for more than nine years commencing from 1 November 2008 and 1 January 2009 respectively, shall be subject to a separate shareholders' resolution to be approved by shareholders. The Board has set out in its circular to the shareholders dated 11 July 2008 the respective reasons they believe that Professor Chan and Dr. Leung continue to be independent and why they shall be elected;

(vi) the NEDs, as equal Board members, give the Board and the relevant Board committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. All NEDs attended the AGM 2007 which facilitated them to develop a balanced understanding of the view of the shareholders;

(vii) the NEDs have made a positive contribution to the development of the Group's strategy through independent, constructive and informed comments;

(viii) the Company maintains an updated list of the Directors on the Company's website (www.sasa.com) identifying their role and function and whether they are INEDs;

(ix) details of the last shareholders' meeting and major items considered, and particulars as to voting are set out in the section E. – communication with shareholders in this report; and

(x) disclosure on division of responsibility between the Board and management is set out in the section A. – Directors in this report.

report of the directors

The directors have pleasure in presenting their report together with the audited consolidated financial statements of the Company and its subsidiaries ("Group") for the year ended 31 March 2008.

Principal activities and segment analysis of operations

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

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

Results and appropriations

The results for the year are set out in the consolidated income statement on page 91.

An interim dividend of 3.0 HK cents (2007: 3.0 HK cents) per share and a special dividend of 3.0 HK cents (2007: 3.0 HK cents) per share were paid on 28 December 2007. The directors recommend the payment of a final dividend of 5.0 HK cents (2007: 5.0 HK cents) per share and a special dividend of 10.0 HK cents (2007: 6.0 HK cents) per share. Total dividends paid and declared in respect of the year ended 31 March 2008 amounted to HK$289,566,000.

Financial summary

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

	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
Turnover					
Continuing operations	**3,221,429**	2,676,816	2,425,314	2,122,215	1,716,077
Discontinued operations	**231,658**	212,421	195,272	191,491	167,257
	3,453,087	2,889,237	2,620,586	2,313,706	1,883,334
Operating profit/(loss)					
Continuing operations	**322,733**	247,474	215,661	236,748	169,094
Discontinued operations	**3,962**	(186)	(10,569)	(3,489)	(1,501)
	326,695	247,288	205,092	233,259	167,593
Profit/(loss) before taxation					
Continuing operations	**347,555**	270,557	232,803	249,664	182,142
Discontinued operations	**5,741**	947	(10,193)	(4,048)	(2,198)
	353,296	271,504	222,610	245,616	179,944
Gain on disposal of subsidiaries	**67,034**	–	–	–	–

Financial summary (continued)

	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
Income tax expenses					
Continuing operations	**(71,302)**	(50,030)	(39,196)	(42,050)	(32,529)
Discontinued operations	**(815)**	319	1,757	(1,510)	(1,558)
	(72,117)	(49,711)	(37,439)	(43,560)	(34,087)
Profit for the year, attributable to equity holders of the Company					
Continuing operations	**276,253**	220,527	193,607	207,614	149,613
Discontinued operations	**71,960**	1,266	(8,436)	(5,558)	(3,756)
	348,213	221,793	185,171	202,056	145,857
Total assets	**1,443,124**	1,422,580	1,371,640	1,366,471	1,216,083
Total liabilities	**(334,631)**	(471,990)	(457,813)	(456,425)	(367,712)
Net assets	**1,108,493**	950,590	913,827	910,046	848,371
Return on equity	**31.41%**	23.33%	20.26%	22.20%	17.19%
Working capital ratio	**3.76**	2.64	2.61	2.63	3.03
Stock turnover days	**94**	90	89	101	90

Major customers and suppliers

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

Reserves

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

Property, plant and equipment

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

Share capital

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

Share options

Share option schemes

(I) 1997 Share Option Scheme

The Company adopted a share option scheme on 22 May 1997 ("1997 Share Option Scheme"). In view of the changes of Chapter 17 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") which govern the operation of share option schemes, the Company adopted a new share option scheme on 29 August 2002 ("2002 Share Option Scheme") and the operation of the 1997 Share Option Scheme was terminated on the same date. A summary of the 1997 Share Option Scheme is set out below:–

(a) Purpose

The 1997 Share Option Scheme was adopted and became effective on 22 May 1997 for the purpose of providing incentives to directors and eligible employees by the granting of share options.

(b) Participants

Under the 1997 Share Option Scheme, options may be granted to any full-time employees (including full-time executive directors) of the Group.

(c) Total number of shares available for issue

(i) The maximum number of shares in respect of which options may be granted under the 1997 Share Option Scheme shall not (when aggregated with any securities subject to any other share option scheme(s) of the Company and/or its subsidiary) exceed 10% of the issued share capital of the Company from time to time (excluding the aggregate number of shares issued pursuant to the 1997 Share Option Scheme).

(ii) As at 25 June 2008, there were no more shares available for issue under the 1997 Share Option Scheme.

(d) Maximum entitlement of each Participant

The maximum entitlement of each participant (together with any shares issued in respect of options which have been exercised by that participant and any shares which would be issued upon the exercise of outstanding options granted to that participant) shall not exceed 25% of the aggregate number of shares in respect of the Company subject to the 1997 Share Option Scheme at the time it was proposed to grant the relevant option to such participant.

(e) Option Period

The period commencing on the date upon which such option is deemed to be granted and accepted in accordance with the 1997 Share Option Scheme and expiring on such date as may be determined by the board of directors ("Board') which shall not be later than tenth anniversary of the acceptance date of such option.

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

The minimum period, if any, for which an option must be held before it can be exercised is determined by the Board from time to time.

Share options (continued)

Share option schemes (continued)

(I) *1997 Share Option Scheme (continued)*

(g) Consideration on acceptance of the option

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

(h) Basis of determining the exercise price

The exercise price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of the nominal value of the share and 80% of the average of the closing prices of the shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of offer of the option. Effective from 1 September 2001, the exercise price must be at least the higher of (i) the closing price of the shares on the date of option grant, which must be a business day, and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant in accordance with paragraph 17.03 of the Listing Rules.

(i) Remaining life of the 1997 Share Option Scheme

The operation of the 1997 Share Option Scheme was terminated on 29 August 2002 (such that no further options could be offered under the 1997 Share Option Scheme) but the provisions of the 1997 Share Option Scheme continued to govern options granted under that scheme up to and including 28 August 2002.

Details of the share options granted under the 1997 Share Option Scheme and their movements during the year are set out below:–

						Number of Share Options				
Name	Date of grant	Subscription price per share (HK$)	Exercisable period	Vesting period (from the date of grant)	*Closing price of the shares immediately before the date on which the options were exercised (HK$)	Outstanding as at 1 April 2007	Granted during the year	Exercised during the year	#Lapsed during the year	Outstanding as at 31 March 2008
Employees Under Continuous Employment Contract	9 September 1997	1.90	9 September 1998 to 8 September 2007	1 year	2.72 (AVG)	406,000	–	(406,000)	–	–
						406,000	–	(406,000)	–	–

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

\# *There is no share option cancelled during the year.*

Share options (continued)

Share option schemes (continued)

(II) 2002 Share Option Scheme

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

(a) Purpose

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

(b) Participants

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

(c) Total number of shares available for issue

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

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

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

(iv) As at 25 June 2008, the total number of shares available for issue under the 2002 Share Option Scheme was 139,753,017 shares, which represented 10.13% of the total issued share capital of the Company at that date.

(d) Maximum entitlement of each Participant

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

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

Share options *(continued)*

Share option schemes (continued)

(II) 2002 Share Option Scheme (continued)

(e) Option Period

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

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

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

(g) Consideration on acceptance of the option

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

(h) Basis of determining the subscription price

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

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

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

(iii) the nominal value of a share.

(i) Remaining life of the 2002 Share Option Scheme

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

Share options (continued)

Share option schemes (continued)

(II) 2002 Share Option Scheme (continued)

(i) Remaining life of the 2002 Share Option Scheme (continued)

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

						Number of Share Options				
Name	Date of grant	Subscription price per share (HK$)	Exercisable period	Vesting period (from the date of grant)	*Closing price of the shares immediately before the date on which the options were exercised (HK$)	Outstanding as at 1 April 2007	Granted during the year	Exercised during the year	#Lapsed during the year	Outstanding as at 31 March 2008
Directors										
Mr. LOOK, Guy	26 May 2006	2.965	28 February 2007 to 25 May 2016	0.75 year	–	2,248,141	–	–	–	2,248,141
			29 February 2008 to 25 May 2016	1.75 years	–	2,248,141	–	–	–	2,248,141
			28 February 2009 to 25 May 2016	2.75 years	–	2,248,140	–	–	–	2,248,140
			note (1)	note (1)	–	2,248,141	–	–	–	2,248,141
			note (1)	note (1)	–	2,248,141	–	–	–	2,248,141
			note (1)	note (1)	–	2,248,140	–	–	–	2,248,140
Ms. TAM, Wai Chu, Maria	29 June 2004	3.00	29 June 2005 to 28 June 2014	1 year	–	1,000,000	–	–	–	1,000,000
Employees Under Continuous Employment Contract	2 October 2003	1.88	note (2)	note (2)	–	333,333	–	–	(333,333)	–
	2 October 2003	1.88	note (2)	note (2)	–	333,333	–	–	(333,333)	–
	30 October 2003	1.68	30 October 2004 to 29 October 2013	1 year note (3)	3.00 (AVG)	519,442	–	(268,739)	–	250,703
	30 October 2003	1.68	30 October 2005 to 29 October 2013	2 years note (3)	2.93 (AVG)	2,336,143	–	(1,258,132)	–	1,078,011
	30 October 2003	1.68	30 October 2006 to 29 October 2013	3 years note (3)	2.87 (AVG)	5,153,666	–	(3,182,022)	(1)	1,971,643
	30 October 2003	1.68	note (4)	note (4)	2.92 (AVG)	1,341,364	–	(507,334)	(9,800)	824,230
	30 October 2003	1.68	note (4)	note (4)	2.90 (AVG)	1,983,303	–	(1,035,000)	(4,000)	944,303
	30 October 2003	1.68	30 October 2006 to 29 October 2013	3 years	2.91 (AVG)	6,763,006	–	(3,666,792)	(74,732)	3,021,482
	1 March 2004	2.85	14 January 2007 to 28 February 2014	3 years from date of employment	–	183,333	–	–	–	183,333
	1 March 2004	2.85	note (5)	note (5)	–	85,000	–	–	–	85,000
	3 March 2004	2.78	5 July 2007 to 2 March 2014	3 years from the date of employment	–	333,333	–	–	–	333,333

Share options (continued)

Share option schemes (continued)

(II) 2002 Share Option Scheme (continued)

(i) Remaining life of the 2002 Share Option Scheme (continued)

Name	Date of grant	Subscription price per share (HK$)	Exercisable period	Vesting period (from the date of grant)	*Closing price of the shares immediately before the date on which the options were exercised (HK$)	Number of Share Options: Outstanding as at 1 April 2007	Granted during the year	Exercised during the year	#Lapsed during the year	Outstanding as at 31 March 2008
Employees Under Continuous Employment Contract (continued)	3 March 2004	2.78	note (6)	note (6)	–	140,000	–	–	–	140,000
	3 March 2004	2.78	note (6)	note (6)	–	302,000	–	–	–	302,000
	2 August 2004	3.12	28 July 2007 to 1 August 2014	3 years from date of employment	–	183,333	–	–	–	183,333
	2 August 2004	3.12	note (7)	note (7)	–	40,000	–	–	–	40,000
	2 August 2004	3.12	note (7)	note (7)	–	98,000	–	–	–	98,000
	1 December 2004	3.85	13 September 2007 to 30 November 2014	3 years from date of employment	–	116,667	–	–	(116,667)	–
	1 December 2004	3.85	note (8)	note (8)	–	26,000	–	–	(26,000)	–
	1 December 2004	3.85	2 December 2004 to 30 November 2014	–	–	278,666	–	–	–	278,666
	1 December 2004	3.85	30 October 2005 to 30 November 2014	2 years from 20 October 2003	–	278,667	–	–	–	278,667
	1 December 2004	3.85	30 October 2006 to 30 November 2014	3 years from 20 October 2003	–	278,667	–	–	–	278,667
	1 December 2004	3.85	1 October 2007 to 30 November 2014	3 years from 1 October 2004	–	66,666	–	–	–	66,666
	1 December 2004	3.85	note (9)	note (9)	–	26,000	–	–	–	26,000
	1 December 2004	3.85	note (9)	note (9)	–	25,000	–	–	–	25,000
	22 December 2004	4.15	22 December 2007 to 21 December 2014	3 years from date of employment	–	183,333	–	–	–	183,333
	22 December 2004	4.15	note (10)	note (10)	–	32,000	–	–	–	32,000
						35,929,099	–	(9,918,019)	(897,866)	25,113,214

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

\# *There is no share option cancelled during the year.*

Share options (continued)

Share option schemes (continued)

(II) 2002 Share Option Scheme (continued)

(i) Remaining life of the 2002 Share Option Scheme (continued)

Notes:

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

(2) The exercise of the share options is subject to certain performance targets that must be achieved by the employee. The share options shall be exercised by the employee not later than 1 October 2013.

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

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

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

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

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

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

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

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

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

Pre-emptive rights

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

Purchase, sale or redemption of shares

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

Subsidiaries

Details of the Company's principal subsidiaries as at 31 March 2008 are set out in Note 31 to the consolidated financial statements.

Bank loans and overdrafts

As at 31 March 2008, the Group had neither bank loans nor overdrafts.

Capitalised interests

No interest was capitalised by the Group during the year.

Distributable reserves

As at 31 March 2008, the reserves of the Company available for distribution amounted to HK$717,249,000.

Donations

The Group made donations during the year totaling HK$1,200,000, details of which are set out in the "Corporate Social Responsibility" on page 30 of this annual report.

Directors and service contracts

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

Executive directors

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

Non-executive director

Mrs. LEE LOOK, Ngan Kwan, Christina

– re-designated from an independent non-executive director to a non-executive director for a term of three years commencing from 24 June 2004. Term of directorship extended for a further term of three years commencing from 24 June 2007

Independent non-executive directors

Professor CHAN, Yuk Shee, *J.P*.

– term of directorship extended for a further term of three years commencing from 1 November 2005

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

– term of directorship extended for a further term of three years commencing from 1 January 2006

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

– appointed for a term of three years commencing from 24 June 2004. Term of directorship extended for a further term of three years commencing from 24 June 2007

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

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

Directors and service contracts (continued)

In accordance with Article 116 of the Company's Articles of Association, Mr. KWOK, Siu Ming, Mrs. KWOK LAW, Kwai Chun, Eleanor and Mr. LOOK, Guy will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. Pursuant to code A.4.3 of recommended best practices in the code on corporate governance practices in Appendix 14 of the Listing Rules, Professor CHAN, Yuk Shee and Dr. LEUNG, Kwok Fai, Thomas, by their re-appointments commencing from 1 November 2008 and 1 January 2009 respectively, shall serve as independent non-executive directors of the Company for more than nine years after expiry of the current three-year term and their further appointments shall be subject to a separate resolution to be approved by shareholders, details of which are set out in page 73 of the corporate governance report in this annual report.

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

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

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

As at 31 March 2008, the interests or short positions of the directors and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were set out below:

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

		Number of shares in the Company					
Name of director	Capacity	Personal interests	Family Interests	Corporate interests	Other interests	Total interests	Approximate percentage of shareholding
Mr. KWOK, Siu Ming, Simon	Interests of a controlled corporation (Note 1)	–	–	898,506,400	–	898,506,400	65.16%
	Beneficial Owner	20,364,000	–	–	–	20,364,000	1.48%
Mrs. KWOK LAW, Kwai Chun, Eleanor	Interests of a controlled corporation (Note 1)	–	–	898,506,400	–	898,506,400	65.16%
Mrs. LEE LOOK, Ngan Kwan, Christina	Interests of a controlled corporation	–	–	148,000	–	148,000	0.01%
	Beneficial Owner	1,000,000	–	–	–	1,000,000	0.07%
Professor CHAN, Yuk Shee	Beneficial Owner	1,150,000	–	–	–	1,150,000	0.08%

Note:

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

Details of the interests of directors and chief executive in the derivatives interests in the Company for the year ended 31 March 2008 were disclosed under the section headed "Share options".

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

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

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

Mr. KWOK, Siu Ming, Simon

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

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

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

Mrs. KWOK LAW, Kwai Chun, Eleanor

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

Notes:

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

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

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

4. Certain qualifying share was held by Mr. KWOK, Siu Ming, Simon in trust for a wholly-owned subsidiary of the Company.

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

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

Directors’ benefits from rights to acquire shares or debentures

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

Interests and short positions in shares and underlying shares of shareholders

So far as is known to any director or chief executive of the Company, as at 31 March 2008, shareholders, other than a director or chief executive, who had interests and short positions in the shares and underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions), or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO were as follows:

(I) Long position of substantial shareholders in the shares of the Company

Name of company	Capacity	No. of shares held	Approximate percentage of shareholding
Sunrise Height Incorporated	Beneficial owner	696,780,000 (Note)	50.53%
Green Ravine Limited	Beneficial owner	201,726,400 (Note)	14.63%

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

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

Contracts of significance

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

Management contracts

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

Connected transactions

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

Disposal of Lisbeth Enterprises Limited ("Lisbeth")

As stated in the announcement of the Company dated 20 February 2008, on 19 February 2008, Highmove Enterprises Limited ("Highmove"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Fullgoal International Limited ("Purchaser"), an investment holding company incorporated in the British Virgin Islands and a third party independent of the Company and its connected person, whereby Highmove agreed to sell and assign, and the Purchaser agreed to purchase and accept, 12,000 shares of HK$10 each of Lisbeth and an assignment of a shareholder's debt owing by Lisbeth to Highmove in the sum of HK$87,000,000 for a cash consideration of HK$20,000,000. The completion of the transaction was taken place on 31 March 2008. Details of the transaction were set out in the circular dated 10 March 2008 from the Company to its shareholders.

Public float

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

Auditors

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

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

Hong Kong, 25 June 2008

independent auditor's report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

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

We have audited the consolidated financial statements of Sa Sa International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 91 to 144, which comprise the consolidated and Company balance sheets as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

independent auditor's report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 June 2008

consolidated income statement

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Continuing operations			
Turnover	5	**3,221,429**	2,676,816
Cost of sales		**(1,831,949)**	(1,538,403)
Gross profit		**1,389,480**	1,138,413
Other income	5	**19,680**	19,262
Selling and distribution costs		**(945,026)**	(799,859)
Administrative expenses		**(145,169)**	(131,176)
Other net gains	6	**3,768**	20,834
Operating profit		**322,733**	247,474
Interest income		**24,822**	23,083
Profit before income tax		**347,555**	270,557
Income tax expense	10	**(71,302)**	(50,030)
Profit for the year from continuing operations		**276,253**	220,527
Discontinued operations			
Profit for the year from discontinued operations	14	**71,960**	1,266
Profit for the year, attributable to equity holders of the Company	11	**348,213**	221,793
Earnings per share for profit from continuing operations attributable to equity holders of the Company during the year (expressed in HK cents per share)	12		
Basic		**20.1**	16.3
Diluted		**20.1**	16.2
Earnings per share for profit from discontinued operations attributable to equity holders of the Company during the year (expressed in HK cents per share)	12		
Basic		**5.2**	0.1
Diluted		**5.2**	0.1
Dividends	13	**289,566**	232,397

The notes on pages 98 to 144 are an integral part of these consolidated financial statements.

consolidated balance sheet

As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**109,476**	138,771
Leasehold land	16	**28,760**	29,556
Investment property	17	**11,500**	8,600
Rental deposits and other assets	19	**69,995**	55,606
Deferred income tax assets	20	**2,625**	16,683
		222,356	249,216
Current assets			
Inventories	21	**470,543**	384,034
Trade receivables	22	**28,265**	30,824
Other receivables, deposits and prepayments		**70,317**	62,554
Income tax recoverable		**–**	105
Bank deposits over three months to maturity	23	**227,262**	125,862
Cash and cash equivalents	23	**424,381**	569,985
		1,220,768	1,173,364
LIABILITIES			
Current liabilities			
Trade and bills payables	24	**178,458**	121,272
Other payables and accruals		**113,965**	92,217
Current portion of receipts in advance		**–**	203,423
Income tax payable		**32,608**	28,189
		325,031	445,101
Net current assets		**895,737**	728,263
Total assets less current liabilities		**1,118,093**	977,479
Non-current liabilities			
Receipts in advance		**–**	7,891
Retirement benefit obligations	25	**4,629**	9,965
Deferred income tax liabilities	20	**1,025**	2,693
Other payables		**3,946**	6,340
		9,600	26,889
Net assets		**1,108,493**	950,590

	Note	2008 HK$'000	2007 HK$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	26	**137,894**	136,862
Reserves	27	**763,651**	662,899
Proposed dividends	27	**206,948**	150,829
Total equity		**1,108,493**	950,590

On behalf of the Board

KWOK Siu Ming, Simon
Director

KWOK LAW Kwai Chun, Eleanor
Director

The notes on pages 98 to 144 are an integral part of these consolidated financial statements.

balance sheet

As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Investments in and amounts due from subsidiaries	18	**572,437**	513,681
Other assets	19	**750**	750
		573,187	514,431
Current assets			
Other receivables, deposits and prepayments		**2,339**	3,623
Bank deposits over three months to maturity	23	**189,466**	108,631
Cash and cash equivalents	23	**119,281**	300,029
		311,086	412,283
LIABILITIES			
Current liabilities			
Other payables and accruals		**461**	1,850
Net current assets		**310,625**	410,433
Total assets less current liabilities		**883,812**	924,864
Non-current liabilities			
Amounts due to subsidiaries	18	**11**	97
Net assets		**883,801**	924,767

	Note	**2008 HK$'000**	2007 HK$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	26	**137,894**	136,862
Reserves	27	**538,959**	637,076
Proposed dividends	27	**206,948**	150,829
Total equity		**883,801**	924,767

On behalf of the Board

KWOK Siu Ming, Simon
Director

KWOK LAW Kwai Chun, Eleanor
Director

The notes on pages 98 to 144 are an integral part of these consolidated financial statements.

consolidated cash flow statement

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Cash generated from operations	28(a)	**392,098**	265,064
Hong Kong profits tax paid		**(58,521)**	(26,951)
Overseas tax paid		**(5,257)**	(3,851)
Net cash generated from operating activities		**328,320**	234,262
Cash flows from investing activities			
Purchase of property, plant and equipment		**(58,991)**	(57,766)
Proceeds from disposal of property, plant and equipment		**527**	416
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	28(b)	**(133,434)**	–
Increase in bank deposits over three months to maturity		**(101,400)**	(20,844)
Interest received		**27,275**	20,088
Net cash used in investing activities		**(266,023)**	(58,106)
Cash flows from financing activities			
Proceeds from shares issued upon exercise of options		**17,433**	32,402
Dividends paid		**(233,881)**	(230,005)
Net cash used in financing activities		**(216,448)**	(197,603)
Net decrease in cash and cash equivalents		**(154,151)**	(21,447)
Cash and cash equivalents at beginning of year		**569,985**	590,678
Effect of foreign exchange rate changes		**8,547**	754
Cash and cash equivalents at end of year		**424,381**	569,985

The notes on pages 98 to 144 are an integral part of these consolidated financial statements.

consolidated statement of changes in equity

For the year ended 31 March 2008

	Note	Attributable to equity holders of the Company Share capital HK$'000	Reserves HK$'000	Total HK$'000
Balance at 1 April 2006		134,711	779,116	913,827
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		–	228,885	228,885
Employee share option scheme:				
Value of employee services		–	5,481	5,481
Proceeds from shares issued upon exercise of options	26(a) & 27(a)	2,151	30,251	32,402
Dividends				
2005/2006 Final and Special dividends		–	(148,437)	(148,437)
2006/2007 Interim dividend		–	(40,784)	(40,784)
2006/2007 Special dividend		–	(40,784)	(40,784)
Balance at 31 March 2007		136,862	813,728	950,590
Balance at 1 April 2007		**136,862**	**813,728**	**950,590**
Profit for the year		**–**	**348,213**	**348,213**
Depreciation transfer on buildings, net of tax		**–**	**133**	**133**
Exchange differences recognised directly in equity		**–**	**11,022**	**11,022**
Total recognised income for the year		**–**	**359,368**	**359,368**
Employee share option scheme:				
Value of employee services		**–**	**3,641**	**3,641**
Proceeds from shares issued upon exercise of options	26(a) & 27(a)	**1,032**	**16,401**	**17,433**
Release of exchange reserve upon disposal of subsidiaries		**–**	**11,342**	**11,342**
Dividends				
2006/2007 Final and Special dividends		**–**	**(151,263)**	**(151,263)**
2007/2008 Interim dividend		**–**	**(41,309)**	**(41,309)**
2007/2008 Special dividend		**–**	**(41,309)**	**(41,309)**
Balance at 31 March 2008		**137,894**	**970,599**	**1,108,493**

The notes on pages 98 to 144 are an integral part of these consolidated financial statements.

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$'000	Leasehold improve-ments HK$'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$'000	Leasehold improve-ments HK$'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	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'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	2007
	HK$'000	HK$'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	2007
	HK$'000	HK$'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.

notice of annual general meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of Sa Sa International Holdings Limited ("Company") will be held at Tianshan Room, Level 5, Island Shangri-la, Pacific Place, Supreme Court Road, Central, Hong Kong on Thursday, 28 August 2008 at 11:00 a.m. for the following purposes:

1. To receive and consider the audited consolidated financial statements and the reports of the directors and auditors for the year ended 31 March 2008.

2. To consider and declare a final dividend and a special dividend for the year ended 31 March 2008.

3. (1) To approve and re-elect the following retiring directors:–

    (a) Mr. Kwok Siu Ming, Simon as an executive director;

    (b) Mrs. Kwok Law Kwai Chun, Eleanor as an executive director; and

    (c) Mr. Look Guy as an executive director.

    (2) To authorise the board of directors ("Board") to fix their remuneration.

4. (1) To approve and re-elect the following directors who, by their re-appointments on 1 November 2008 and 1 January 2009 respectively, shall serve the Company for more than nine years as independent non-executive directors:–

    (a) Professor Chan Yuk Shee as an independent non-executive director; and

    (b) Dr. Leung Kwok Fai, Thomas as an independent non-executive director.

    (2) To authorise the Board to fix their remuneration.

5. To re-appoint auditors and to authorise the Board to fix their remuneration.

As special business, to consider and, if thought fit, pass, with or without amendments, the following resolutions as ordinary resolutions of the Company:

6. "**THAT**:

    (A) subject to paragraph 6(C) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with unissued shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such powers be and is hereby generally and unconditionally approved;

    (B) the approval in paragraph 6(A) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which would or might require the exercise of such powers after the end of the Relevant Period;

(C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph 6(A) and (B), otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) an issue of shares under any options granted under the share option schemes adopted by the Company; (iii) an issue of shares upon the exercise of subscription rights attached to the warrants which might be issued by the Company; (iv) an issue of shares in lieu of the whole or part of a dividend pursuant to any scrip dividend scheme or similar arrangement in accordance with the articles of association of the Company; and (v) any adjustment, after the date of grant or issue of any options, rights to subscribe or other securities referred to in (ii) and (iii) above, in the price at which shares in the Company shall be subscribed, and/or in the number of shares in the Company which shall be subscribed, on exercise of relevant rights under such options, warrants or other securities, such adjustment being made in accordance with, or as contemplated by, the terms of such options, rights to subscribe or other securities, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the time of passing this resolution; and

(D) for the purposes of this resolution:

"Relevant Period" means the period from the time of the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company or any applicable laws of Cayman Islands to be held; and

(iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the Directors to holders of shares on the register of members on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange)."

7. "**THAT**:

(A) subject to paragraph 7(C) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase issued shares in the capital of the Company on The Stock Exchange of Hong Kong Limited ("Stock Exchange") or any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, and that the exercise by the Directors of all powers of the Company to purchase such securities are subject to and in accordance with all applicable laws and/or requirement of the rules governing the listing of securities on the Stock Exchange or any other stock exchange from time to time, be and is hereby, generally and unconditionally approved;

(B) the approval in paragraph 7(A) shall be in addition to any other authorisation given to the Directors and shall authorise the Directors on behalf of the Company during the Relevant Period to procure the Company to purchase its shares at a price determined by the Directors;

(C) the aggregate nominal amount of share capital of the Company purchased or agreed conditionally or unconditionally to be purchased by the Company pursuant to the approval in paragraph 7(A) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the time of passing this resolution; and

(D) for the purposes of this resolution:

"Relevant Period" means the period from the time of the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company or any applicable laws of Cayman Islands to be held; and

(iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

8. "**THAT** conditional upon the passing of the ordinary resolutions numbered 6 and 7 in the notice convening this meeting, the aggregate nominal amount of the shares in the capital of the Company which are purchased by the Company pursuant to and in accordance with the said resolution numbered 7 shall be added to the aggregate nominal amount of the share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to and in accordance with the resolution numbered 6 set out in this notice of meeting."

By Order of the Board
Ho Sze Nga, Maggie
Company Secretary

Hong Kong, 25 June 2008

Notes:

1. The register of members of the Company will be closed from 25 August 2008 to 28 August 2008, both dates inclusive, during which period no transfer of shares of the Company will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's branch share and transfer office, Tricor Abacus Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 22 August 2008.

2. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him. On a poll votes may be given either personally or by proxy. A proxy needs not be a member of the Company. A member may appoint more than one proxy to attend in his stead.

3. The enclosed form of proxy and (if required by the Board) the power of attorney or other authority (if any), under which it is signed, or a notarially certified copy of such power or authority shall be deposited at the Company's branch share and transfer office, Tricor Abacus Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not less than forty-eight hours before the time appointed for holding the above meeting or adjourned meeting at which the person named in the enclosed form of proxy proposes to vote, or, in the case of a poll taken subsequently to the date of the above meeting or adjourned meeting, not less than forty-eight hours before the time appointed for the taking of the poll, and in default the enclosed form of proxy shall not be treated as valid provided always that the chairman of the meeting may at his discretion direct that an instrument of proxy shall be deemed to have been duly deposited upon receipt of telex or cable or facsimile confirmation from the appointor that the instrument of proxy duly signed is in the course of transmission to the Company. Delivery of any instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most, or as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

5. The enclosed form of proxy must be signed by the appointor or of his attorney authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.

Financial Calendar

2007/08 Interim Results Announcement	29 November 2007
Payment of 2007/08 Interim and Special Dividends	28 December 2007
2007/08 Annual Results Announcement	25 June 2008
Closure of Register of Members (both days inclusive)	25-28 August 2008
Annual General Meeting	28 August 2008
Proposed Payment of 2007/08 Final and Special Dividends	2 September 2008

This 2007/2008 annual report ("Annual Report") is available in both English and Chinese. Shareholders who have received either the English or the Chinese version of the Annual Report may request a copy in the language different from that has been received by writing to the Company's Hong Kong branch share registrar ("Branch Share Registrar"), Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.

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

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

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

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Sasa

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